



Daily Report

East Asia

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CONTENTS

29 December 1995

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NORTHEAST ASIA

Japan

Vice Finance Minister Resigns Amid Controversy	1
Takemura Explains Reasons [KYODO]	1
Takemura Announces Replacement [KYODO]	1
Article on Potential Problems With Clinton Visit [YOMIURI SHIMBUN 27 Dec]	2
KEDO Envoy on Negotiations With DPRK [MAINICHI SHIMBUN 21 Dec]	2
U.S. To Ease Restrictions on Okinawa Servicemen [KYODO]	3
DFAA To Disband Base-Related Issues Group [OKINAWA TIMES 26 Dec]	3
Ruling Parties To Expand Okinawa Issue Team [RYUKYU SHIMPO 22 Dec]	4
Okinawa Assembly Mission To Visit U.S. in Jan [RYUKYU SHIMPO 23 Dec]	4
Murayama: 'Go Ahead' To Fulfill Treaty Duties [KYODO]	5
Kono To Visit India, Pakistan After Paris Trip [KYODO]	6
Diet Members To Monitor Palestinian Election [KYODO]	6
Government Protests to Taiwan Over Naval Drill [KYODO]	6
High-Level Nuclear Waste Shipment Postponed [KYODO]	6
Police Arrest Alleged Illegals From South Asia [KYODO]	7
Mitsui Sets Up Venture With Russian Firm [KYODO]	7
Ex-Labor Minister Indicted in Credit Union Case	7
Background Provided [KYODO]	7
Indictment Marks End of Case [KYODO]	8
Other Suspect Released on Bail [KYODO]	8
Plan To Liquidate Housing Firms Summarized [NIHON KEIZAI SHIMBUN 20 Dec]	8
Housing Plan Likely To Postpone Diet Dissolution [ASAHI SHIMBUN 26 Dec]	9
Murayama on MidTerm Defense Buildup, TMD [SANKEI SHIMBUN 27 Dec]	10
Details of New Defense Plan Unveiled [KYODO]	10
Editorial on Coalition Parties' Defense Policy [YOMIURI SHIMBUN 23 Dec]	11
Coalition To Launch Forum for New Alliance [KYODO]	11
SDPJ Member Akiba To Run for Party Chairman [KYODO]	12
'Summary' of LDP's Draft Action Program [YOMIURI SHIMBUN 21 Dec]	12
Communist Party Leads in Local Fund Raising [KYODO]	13
Politicians Classified on Constitutional Revision [INTELLIGENCE Dec]	13
Takemura Answers NIKKEI Questions on Jusen [NIHON KEIZAI SHIMBUN 23 Dec]	20
Ministers Agree on Need To Collect Debts [KYODO]	22
Farm Minister Discusses Liquidations' Effect [KYODO]	22
Takemura on Stock Resurgence, Exchange Rate [KYODO]	23
Hashimoto Discusses Economic Issues, Bad Debts [Tokyo TV]	23
'News Focus': Daiwa, Sumitomo Seen 'Waffling' [KYODO]	24
Minister Terms Jobless Rate Increase 'Temporary' [KYODO]	25
Labor Union Urges Meeting [KYODO]	25
Cabinet: Maintain Food Self-Sufficiency Rate [KYODO]	25
FTC Panel Proposes Antimonopoly Law Amendments [KYODO]	26
Bankers 'Express Regret' [KYODO]	27
Panel Urges Compensation to NTT Shareholders [KYODO]	27
Ministry Says Import Prices Bottoming Out [KYODO]	27

Survey Shows Increase in Household Spending [KYODO]	28
BOJ To Give Subordinated Loan To Midori Bank [KYODO]	28
Penalties Reduce Undocumented Corporate Spending [KYODO]	29
MITI To Wait To Revise Retail Stores Law [KYODO]	29
Bad Loans to Borrowers Grow 3d Straight Year [KYODO]	30
Revised Report Published on Monju Reactor Leak [KYODO]	30
MITI To Develop Enciphering Technology [KYODO]	31
ABWR Project To Receive 9.9 Billion Yen [ASAHI SHIMBUN 26 Dec]	31
NEC Develops Voice Information System [KYODO]	31
Kansai Businessmen To Help Pay Airport Costs [KYODO]	32
Sony Model of Reorganization Viewed [SHUKAN TOYO KEIZAI 9 Sep]	32

North Korea

U.S. Senator 'Babbling' About Nuclear Issue [Pyongyang Radio]	34
Commentary on 'Warmaniac' U.S. Senator Gramm [KCNA]	35
U.S. 27 Dec 'Aerial Espionage' Denounced [KCNA]	36
Overseas Groups View U.S. 'Occupation' of ROK [KCNA]	36
Ministry Official Discusses Power Conservation [NODONG SINMUN 5 Nov]	36
Official Urges Active Support for Coal Mines [MINJU CHOSON 12 Nov]	37

South Korea

U.S., DPRK Scheduled To Discuss War Remains [YONHAP]	39
U.S. Coverage of North Food Crisis 'Exaggerated' [SEOUL SINMUN 29 Dec]	39
Ministry: \$243 Million in Rice Aid to DPRK [YONHAP]	40
Groups Seek 'Inspections' of Food Aid to DPRK [MUNHWA ILBO 29 Dec]	40
DPRK 'Likely To Seek Economic Cooperation' [YONHAP]	41
North Preparing for Trade Area 'No-Visa Entry' [YONHAP]	41
Seoul's Image Among U.S., UK, Japan Viewed [YONHAP]	42
Arms Export Exceeds \$100 Million Mark in 1995 [THE KOREA TIMES 29 Dec]	43
'Fair and Free' Russian Elections Welcomed [YONHAP]	43
Relations Normalized With Cyprus 28 Dec [YONHAP]	43
Government Plans To Recruit More Foreign Workers [YONHAP]	44
Kim Tae-Chung Interviewed on Political Scandal [MAINICHI SHIMBUN 19 Dec]	44
Chon 'Practically Broke' Fast; Health Stabilizes [YONHAP]	45
Former First Lady Visits Chon in Hospital [YONHAP]	45
DP's New Structure Said Linked to Reform Role [THE KOREA HERALD 26 Dec]	45
Minister: 1996, 1997 'Critical Period' to Security [CHOSON ILBO 29 Dec]	47
Chu Named Deputy Industry, Trade Minister [YONHAP]	47
Former Chongwadae Presidential Secretary Indicted [YONHAP]	47
Na Plans To Pursue Independent Economic Policy [YONHAP]	48

SOUTHEAST ASIA

Brunei, Malaysia & Singapore

Malaysia

Ministry Condemns France's Fifth Nuclear Test [THE STAR 29 Dec]	49
Prime Minister Discusses Changes in Leadership [THE STAR 28 Dec]	49
Outgoing Commander on Greater Military Challenges [Kuala Lumpur International]	50

Singapore

Telecom, PRC Firms in Telecommunications Venture [BUSINESS TIMES 29 Dec]	50
--	----

Cambodia

Border Province Bans Rice Exports to Thailand [REAKSMEI KAMPUCHEA 28 Dec]	51
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Khmer Rouge 'Prime Minister' Views Situation [Radio PGNUNS]	51
Khmer Rouge Said Dealing in Opium With Khun Sa [REAKSMEI KAMPUCHEA 29 Dec]	53
Khmer Rouge Prepare To Counter Troop Offensive [REAKSMEI KAMPUCHEA 28 Dec]	54
Khmer Rouge Claim Three Communes Liberated [Radio PGNUNS]	54

Laos

Minister Leaves for Border Meeting in Bangkok [Vientiane Radio]	55
Minister Issues Circular on Labor Import-Export [KPL]	55

Philippines

Manila Offers P1 Million Reward for ABB Head [Quezon City Radio-TV]	55
Ramos on Terrorist Threat To Derail Development [PNA]	55

Thailand

U.S. Said Reluctant To Sell Advanced Missiles [THAILAND TIMES 29 Dec]	56
Support for China's WTO Bid Tied to Dispute [THE NATION 27 Dec]	57
'Technical Differences' Cited in Talks With Laos [BANGKOK POST 29 Dec]	57
Karen Buddhist Group Launches Attack on Border [THAILAND TIMES 29 Dec]	58
Burmese Gunboat Attacks Fishing Trawlers [Bangkok TV]	58
Malaysia To Free Fishermen, Return Boats [BANGKOK POST 28 Dec]	58
Official Seeks Release Date of 300 Fishermen [THE NATION 27 Dec]	59
Finance Ministry Reports FY96 Achievements [BUSINESS DAY 29 Dec]	60
Prem Supports Military Modernization Program [THE NATION 29 Dec]	60
Defense 'White Paper' To Show Development Plans [BANGKOK POST 28 Dec]	61

Vietnam

Lao People's Party Delegation Makes Visit [VNA]	62
Received by Do Muoi 28 Dec [VNA]	62
MOU Signed With Thailand on Refugee Issue [VNA]	63
Cambodian War Veterans Delegation Visits [VNA]	63
Finance Minister Welcomes Iranian Investment [Tehran IRNA]	63
Assembly Chairman Receives German Legislator [Hanoi International]	63
Eighth Party Congress Slated for Mid-1996 [Hanoi International]	64
Cabinet Discusses 1996 Socioeconomic Plan [VNA]	64
Premier, Officials Attend Binh Bridge Opening [VNA]	64
Acceleration of Administrative Reforms Urged [VIETNAM INVESTMENT REVIEW 3 Dec] ...	64
Son La Province Admits 1,890 New Party Members [Hanoi Radio]	65

AUSTRALASIA

Australia

Government, Opposition Condemn French Test [Melbourne International]	67
Reportage Views Benefits of Pact With Indonesia	67
'Smooth Out' Potential Friction [THE AUSTRALIAN FINANCIAL REVIEW 15 Dec] ...	67
'Positive' for Business Relations [THE AUSTRALIAN FINANCIAL REVIEW 18 Dec] ..	68
Further on Trade Prospects [THE AUSTRALIAN FINANCIAL REVIEW 18 Dec]	69
Military Cooperation Highlighted [THE AUSTRALIAN FINANCIAL REVIEW 15 Dec] ..	70
Further on Military Ties [THE AUSTRALIAN FINANCIAL REVIEW 20 Dec]	71
Regional Implications Noted [THE AUSTRALIAN FINANCIAL REVIEW 20 Dec]	72
Keating Sets Innovation Policy for Businesses [THE AUSTRALIAN FINANCIAL REVIEW 7 Dec]	74

Diplomat's Views on Dili 'Massacre' Questioned [<i>THE AUSTRALIAN FINANCIAL REVIEW</i> 13 <i>Dec</i>]	75
Solomon Islands Aid Cut To Protest Policies [<i>Melbourne International</i>]	75

Papua New Guinea

'Major Problems' of Bougainville, Economy Viewed [<i>THE AUSTRALIAN FINANCIAL REVIEW</i> 18 <i>Dec</i>]	75
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Japan

Vice Finance Minister Resigns Amid Controversy

Takemura Explains Reasons

OW2712114195 Tokyo KYODO in English
1022 GMT 27 Dec 95

[FBIS Transcribed Text] Tokyo, Dec. 27 KYODO — Finance Minister Masayoshi Takemura said Wednesday [27 December] a ministry official accused of having had cozy relations with the heads of two failed credit unions will resign Sunday at his suggestion.

Takemura told reporters he instructed Vice Finance Minister Kyosuke Shinozawa earlier this month to suggest retirement for the bureaucrat in question, Hiroaki Taya.

Taya, now at the ministry's secretariat, accepted the proposal Monday, Takemura said.

Taya was appointed to the current post after he was dismissed from the top post at the Tokyo customs house in March.

He was dismissed because it was revealed that he had traveled to Hong Kong with Harunori Takahashi, president of Tokyo Kyowa Credit Association, which collapsed due to involvement in a huge illicit loan scandal. Taya was also found to have cozy relations with the former head of another failed credit union in Tokyo.

Takemura said the ministry's investigations since November found no evidence that Taya was involved in other improper activities.

Earlier this year, Yoshio Nakajima, former head of the Institute of Fiscal and Monetary Policy, a Finance Ministry affiliate, left the ministry after the revelation of his involvement in a series of ethical transgressions. Nakajima resigned at his own discretion.

Taya will be deemed merely to have retired early. An estimated 50 million yen in retirement money will be paid to him, analysts said.

Takemura Announces Replacement

OW2912080695 Tokyo KYODO in English
0734 GMT 29 Dec 95

[FBIS Transcribed Text] Tokyo, Dec. 29 KYODO — Administrative Vice Finance Minister Kyosuke Shinozawa will Resign Jan. 5 amid a storm of criticism of the Ministry of Finance (MOF) following a series of financial scandals, including the involvement of ministry bureaucrats in improper activities.

Shinozawa, who took the ministry's top administrative post last May, offered his resignation to Finance Minister Masayoshi Takemura after the ministry presented its draft fiscal 1996 budget Dec. 25. Takemura accepted Shinozawa's resignation Friday [29 December].

Tadashi Ogawa, director general of the National Tax Administration Agency, will succeed Shinozawa as vice finance minister following approval of the appointment at a cabinet meeting Jan. 5.

At a hastily arranged press conference, Takemura said, "I have accepted Shinozawa's resignation to improve the morale of the ministry, which is in an oppressive atmosphere following scandals involving ministry officials."

"Shinozawa is not quitting to take blame for any individual incidents, such as the failures of two Tokyo credit unions and the ministry's decision to use taxpayers' money for the liquidation of ailing housing loan companies," he said.

Takemura said he has currently no intention to resign to take responsibility for mounting criticism of the ministry for its response to a series of financial scandals.

"It is my responsibility to proceed with the liquidation scheme recently mapped out for struggling housing loan companies," he said.

The ministry has been under fierce criticism at home and abroad for its lack of transparency in dealing with a series of incidents that have hit the financial industry, including the bad loan issue at housing loan companies and a huge loss cover-up case at Daiwa Bank's New York branch.

In particular, the centerpiece of domestic criticism is directed at a series of scandals involving ministry officials.

So far this year, two senior ministry officials, including Yoshio Nakajima, head of the Institute of Fiscal and Monetary Policy, a Finance Ministry affiliate, have quit as they were found to have had cozy relations with people linked to the two failed Tokyo credit unions involved in illicit loan scandals.

Since Takemura became finance minister in June 1994, Shinozawa is the second vice finance minister to resign before his term of office expires.

Shinozawa's predecessor, Jiro Saito, resigned in May under strong pressure from the ruling coalition parties and the mass media because he had been wined and dined by Harunori Takahashi, former head of Tokyo Kyowa Credit Association and the central figure in the scandal involving the two failed credit unions.

Saito was also reported to have had close ties with key opposition leader Ichiro Ozawa.

Takemura told the news conference he has selected Ogawa as Shinozawa's successor and added Ogawa will be replaced at the National Tax Administration Agency by Sohei Hidaka, director general of the ministry's Securities Bureau.

Article on Potential Problems With Clinton Visit

*OW2812092695 Tokyo YOMIURI SHIMBUN
in Japanese 27 Dec 95 Morning Edition p 2*

[FBIS Translated Text] It was decided and announced on 26 December that U.S. President Bill Clinton's official visit to Japan, which was postponed once, would be rescheduled for 16-18 April. Clinton is expected to hold summit talks with Prime Minister Tomiichi Murayama on 17 April. The two leaders will announce a joint statement on bilateral security ties in order to "reconfirm the significance of Japan-U.S. security arrangements" at the news conference to be held after the summit talks. At the same time, they are expected to take positions and make active appeals on the handling of the pending issue of the realignment and reduction of U.S. military bases on Okinawa. The focal point will now be on how much Murayama can make progress in solving this issue and whether he can gain the support of the Okinawan people before the summit talks.

Clinton's trip to Japan, initially set for mid-November, was postponed once on the request of the U.S. side. The U.S. and Japanese Governments continued efforts to set up his visit at "the earliest possible time" (as stated by Foreign Minister Yohei Kono). A government source said that the U.S. side at first sounded out its plan to set "the trip for 3 January." However, Murayama, who was busy with handling Okinawa-related issues, including talks with Okinawa Governor Masahide Ota, hoped to set it later than the requested date partly because of the view among top officials at the Prime Minister's Office that "there will be turmoil if the President visits Japan before making definite progress in settling the issue of U.S. military bases on Okinawa, and if he stresses the plan to maintain 47,000 U.S. troops in Japan."

The two governments tried to set the presidential visit in mid-January, or in February or March but they decided to set it in April because of the tight schedule of the U.S. presidential election and Japanese side's schedule for Diet deliberations on the budget bill.

However, at present there is no clear prospect for settling the Okinawa issue which is the focus of attention. Consultative bodies were formed between the Japanese and U.S. Governments and between the national government and the Okinawa Prefectural Government.

The two nations made progress on the issue of handing over [U.S. military] suspects [to the Japanese authorities] before indictment, and in settling noise problems and other issues related to living conditions. However, Murayama has not shown any plan to take political leadership in handling difficult problems related to Okinawa, including the relocation of military facilities to mainland Japan.

Moreover, in April when Clinton visits Japan, some of the forced land lease contracts that Ota refused to sign by proxy will expire. Turmoil over the issue may intensify once again on the occasion of his visit.

Economic relations between the two nations are comparatively calm now. However, there is a possibility that the "annual report on foreign trade barriers" to be announced by the U.S. Government in late March and other actions may cause another trade dispute. Observers voice concern that adverse impact by the postponement of the presidential visit may emerge.

KEDO Envoy on Negotiations With DPRK

*OW2612095795 Tokyo MAINICHI SHIMBUN
in Japanese 21 Dec 95 Morning Edition p 6*

[Interview with Tetsuya Endo, ambassador in charge of the Korean Peninsula Energy Development Organization, by Nobuichiro Hori, member of the MAINICHI SHIMBUN Foreign News Department; place and date not given]

[FBIS Translated Text] North Korea and the Korean Peninsula Energy Development Organization (KEDO) have concluded an agreement on the supply of light-water nuclear reactors. Asking him to review negotiations on the supply of light-water nuclear reactors, we interviewed Tetsuya Endo, ambassador in charge of KEDO, on future Japan-DPRK relations.

Negotiation Process

The ROK will fulfill a central role in supplying light-water nuclear reactors to North Korea, and Japan is to give meaningful cooperation. An agreement was reached in June in Kuala Lumpur that KEDO would pick the light-water reactors, and a company — which KEDO will also choose — will become the main contractor. The negotiations faced hard sailing in late September because North Korea called for incidental facilities, including construction of a harbor and the improvement of road networks. My impression of the North Korean posture is that it conducted the negotiations from the beginning to the end in a business-like manner. They acted that way because the conditions of the U.S.-DPRK agreement itself were good. The DPRK will receive two reactors and oil supply. North

Korea has to cherish its ties with the United States. I suppose that North Korea had to behave in a business-like manner due to its political concerns. The problem is the incidental facility. We need to clarify what we are going to do about the harbor.

Negotiations Between Japan and North Korea

The problem of "international issue" is on the agenda. The nuclear issue is the biggest problem. There is a major gap of opinion between the two countries. Japan cannot avoid the nuclear issue because of national sentiment as a result of being a victim of atomic bombing and also because it is an issue related to the security of northeast Asia. North Korea insists that the nuclear issue has nothing to do with Japan and is an issue to be discussed with the United States. To begin with, the goal of KEDO is to settle the nuclear issue. Smooth implementation of the light-water reactor supply will give an impetus to the negotiations between Japan and the DPRK.

Two matters are involved in negotiations for normalization of diplomatic ties. One is to liquidate the colonial rule of the Korean peninsula. Another matter is that the outcome of negotiations will have a major impact on security in northeast Asia. Because of these matters, we need to carefully carry out the negotiations.

North-South Dialogue

Dialogue between North and South is indispensable for the smooth supply of the light-water nuclear reactors. I think on-site investigations by South Koreans and contact between North and South Korean engineers are necessary.

U.S. To Ease Restrictions on Okinawa Servicemen

*OW2812122595 Tokyo KYODO in English
1152 GMT 28 Dec 95*

[FBIS Transcribed Text] Naha, Japan, Dec. 28 KYODO — The U.S. military informed the city of Okinawa on Thursday [28 December] that it will relax Saturday a ban on its personnel from entering busy streets, a measure taken after the indictment of three of its servicemen on charges of raping a local schoolgirl.

"Off-limits" hours, which stretch from midnight to 6 A.M. at present, will be shortened to between 1 A.M. and 5 A.M.

Out of concern over the effect on local restaurants and other entertainment businesses, however, city authorities are still demanding the total lifting of the ban, which the U.S. Forces imposed Oct. 14

It was the first "off-limits" measure taken by the U.S. military in Japan since the southwesternmost Japanese prefecture was returned to Tokyo in 1972 after 27 years of U.S. occupation.

The measure was not welcomed by proprietors in the area whose businesses depend largely on U.S. service personnel.

Noting that about 10 restaurants and bars have already been forced to close due to the measure, city officials think it is unlikely that the partial relaxation will dramatically change the situation.

Japanese prosecutors have indicted three U.S. servicemen on charges of abducting and raping an Okinawa schoolgirl in early September.

The case has caused anger among Japanese, especially in Okinawa prefecture where three quarters of U.S. military facilities in Japan are concentrated in terms of land space.

DFAA To Disband Base-Related Issues Group

*OW2612162695 Naha OKINAWA TIMES in Japanese
26 Dec 95 Morning Edition p 2*

[FBIS Translated Text] Tokyo — On 25 December, the Defense Facilities Administration Agency [DFAA] held the 17th meeting of the Headquarters for the Promotion of the Realignment and Consolidation of U.S. Bases in Okinawa. The headquarters (chaired by DFAA Deputy Director Michio Minakuchi) decided to dissolve itself at the end of December as scheduled, as certain solutions have been prepared for Okinawa's top three pending issues and discussions on other issues have started at the Japan-U.S. Special Action Committee and other consultative bodies at higher levels.

The headquarters has been studying measures for settling the three pending issues and for ensuring budgets to achieve its goal since its foundation in January 1995.

The working-level headquarters proposed relocations of Naha Naval Port and Yomitan Auxiliary Airfield to other sites in Okinawa. Also, discussions are now underway on relocating live-fire exercises, now conducted across Okinawa Prefectural Highway 104, to several training fields of the Self-Defense Forces in mainland Japan. The FY96 budget will have sufficient funds for further studies on settling the three pending issues. Other base-related issues are discussed at the Special Action Committee, the high-level consultative body between the central and Okinawan governments, and the Defense Agency's "special committee on facilities of U.S. Forces Japan."

Ruling Parties To Expand Okinawa Issue Team

OW2612095895 Naha RYUKYU SHIMPO
in Japanese 22 Dec 95 Morning Edition p 3

[FBIS Translated Text] Tokyo — The ruling parties held a joint conference of their panels on foreign and defense affairs on 21 December to coordinate on issues connected with the U.S. military bases on Okinawa. It was decided that this conference should be dissolved and expanded into a "project team on issues connected with U.S. military bases on Okinawa" by including members of the conference on coordinating the Okinawa development program, and that the new project team should start in January 1996. In addition to studying base-related problems, the project team will also discuss and support various development programs to be based on the concept for establishing an international city, which is being prepared by the Okinawa prefectural government now.

Among those who were present at the conference are Taro Nakayama, co-chairman from the Liberal Democratic Party [LDP]; Shigeru Ito, co-chairman from the Social Democratic Party of Japan [SDPJ]; and co-chairman Seiji Maehara from Harbinger. The three co-chairmen confirmed that coordination is under way to send a ruling-party mission to the United States in late January next year. It is planned that the mission will be composed of the three co-chairmen and others and that they will meet high-ranking U.S. Government officials, as well as those connected with the U.S. Congress, and exchange views with them on various issues such as the U.S. military bases on Okinawa and the Japan-U.S. security arrangements.

With regard to the Okinawa base issue, the conference maintains that "what is most important is the period until next April when U.S. President Bill Clinton is expected to visit Japan," (as stated by Co-Chairman Ito from the SDPJ). Based on the Action Program on the return of military bases and the concept of an international city to be worked out by the Okinawa prefectural government by late January next year, discussions will be held in concrete terms on base issues and development projects.

Moreover, the government gave a briefing at the conference on the progress in handling three cases that are not included in the ten cases on which an agreement was reached at the Japan-U.S. Joint Committee, and also on the 22 December panel session of the Japan-U.S. Special Action Committee, at which the Japanese side plans to propose the signing of an agreement on noise pollution. One of the dietmen present at the conference stated: "There must be many problems that can be solved promptly. For instance, the issue concerning license plates." Another said: "The government should

make positive efforts to appeal to the Okinawan residents about what the government has done so as to win their understanding."

Okinawa Assembly Mission To Visit U.S. in Jan

OW2612101495 Naha RYUKYU SHIMPO
in Japanese 23 Dec 95 Morning Edition p 2

[FBIS Translated Text] The Okinawa Prefectural Assembly [OPA] has decided to send a 14-member mission (with OPA Speaker Chiken Kakazu as leader) to visit the United States to appeal for settling such issues as the reduction of U.S. military bases on Okinawa. The members met at the assembly to coordinate on the schedule for the visit, and have decided that the mission will visit the United States for 10 days from 29 January to 7 February. It was also decided that the OPA will hold an extraordinary session on 5 January to adopt a "resolution and statement of opinions on protests against incidents and accidents involving U.S. servicemen, as well as on demands for revision of the Japan-U.S. Status of Forces Agreement [SOFA] and the reduction and realignment of military bases (tentative)." With this resolution, the mission intends to make "a direct appeal" to the U.S. Government.

Attending this coordination session were 12 assemblymen from the following seven parties and floor groups: The Liberal Democratic Party [LDP], the Social Democratic Party of Japan [SDPJ], the Socialist Masses Party, the New Frontier Party, the Communist Party of Japan, the Reformist Okinawa Group, and the Political and Economic Club [PEC]. When Governor Masahide Ota visited the United States last May, he called on the Department of Defense, the Senate, the House of Representatives, and other concerned organizations. The mission will also call on these organizations and coordination is in progress now through the Ministry of Foreign Affairs. However, members have also stated their views that "direct appeals should be made to the president and the vice president," and that "every possible measure should be taken to arrange a direct meeting with the president."

As for the resolution to be adopted at the extraordinary session, the draft will be worked out by a 3-member draft committee to be composed of Josei Shimoji (of PEC), who is chairman of the OPA's Special Committee on Base-Related Issues, Masahiko Nakamatsu (of LDP) and Yoshikazu Tamaki (of SDPJ).

The resolution will be based mainly on the "resolution and statement of opinions on the abduction and rape of a schoolgirl by U.S. servicemen" adopted on 19 September. The details will not be limited to the protest against this rape case but to demand that strict discipline

be enforced on U.S. military personnel and that criminal cases involving U.S. servicemen be eliminated; that sufficient compensation be paid promptly to victims; that the SOFA agreement be revised promptly; and that reduction and realignment of military bases be promptly promoted. The draft will also be based on other documents such as the resolution on holding a protest assembly of prefectural residents on 21 October.

Speaker Kakazu will be the leader of the mission; Josei Shimojin will be the deputy leader; and Suguru Koki (of LDP) will act as the secretary general of the secretariat. The mission will be accompanied by three staff members from the OPA's Secretariat.

Murayama: 'Go Ahead' To Fulfill Treaty Duties

OW2212053895 Tokyo KYODO in English
0507 GMT 22 Dec 95

[Last four paragraphs are KYODO-supplied additions to item OW2212032795 originally published in the 22 December DAILY REPORT]

[FBIS Transcribed Text] Naha, Japan, Dec. 22 KYODO — A landmark court battle began Friday [22 December] in a case pitting Prime Minister Tomiichi Murayama against Okinawa Gov. Masahide Ota over Ota's refusal to sign documents needed for the continued forced rental of land to the U.S. military.

In their statement at the first hearing held at the Naha branch of the Fukuoka high court, central government litigation officials demanded a court order requiring Ota to sign the documents on the grounds Ota's refusal runs counter to public interests by making it difficult for the government to provide land to the U.S. military under the Japan-U.S. Security Treaty.

A group of lawyers for the prefectural government defended Ota's refusal as a step to protect the interests of Okinawa people long exposed to the risk of criminal acts by U.S. servicemen and base-related troubles, claiming that the forced rental of land owned by Okinawa residents is unconstitutional because it infringes on landowners' property rights.

The legal wrangling came on the heels of a petition filed by Murayama earlier this month seeking a court order forcing Ota to sign the documents in question after receiving a letter from the governor rejecting the premier's instruction to sign the documents.

Ota is the first governor to be sued by a prime minister for refusing to execute a job ordered by the central government under the local autonomy law.

It seems that Ota at least has public support as he has received some 28,000 letters and telegrams supporting

him in the case so far. "I'm confident because I have public support like this," Ota said earlier.

The central government wants to obtain a court order over the case by late March when contracts for use of some of the land by the U.S. military bases expire.

The prefectural government hopes to use the trial as a chance to appeal for a nationwide understanding of the situation in Okinawa. One prefectural government official said more than 20 hearings are needed and the trial should go beyond late March.

But the local autonomy law stipulates speedy court procedures, requiring the first hearing of a case under the law to be held within 15 days after the case is taken to court, and all evidence and arguments to be provided at the first hearing.

At Friday's hearing, Ota himself and some landowners who have refused to lease their land to the U.S. military were present.

Ota asked the presiding judge to base his ruling on the principle of judiciary independence and hand down a decision that "can stand the judgment of history."

The second hearing is set for Feb. 9. The central government had demanded two hearings in January alone, but the court paid heed to a request by the prefectural government that the next hearing be held in February so that it has more time to prepare its case.

Central government officials said they expect a court ruling in mid-March as the court is proposing the third hearing and the following ones be held intensively in late February.

Murayama said the central government will go ahead with procedures necessary to fulfill its duties under the bilateral security treaty with the United States.

"As the nation that signed the security treaty with the U.S., the supply of bases is our duty," Murayama told reporters in Tokyo, adding "we must carry out that duty."

Chief Cabinet Secretary Koken Nosaka told a press conference "I think the governor's refusal to sign the documents was unavoidable, but the prime minister judged that his signing as the governor's proxy is also inevitable in order to maintain international trust."

But Nosaka added, "it is our responsibility to streamline and scale down the bases, and I think that will pacify the feelings of people in Okinawa Prefecture."

Kono To Visit India, Pakistan After Paris Trip*OW2612015195 Tokyo KYODO in English
0104 GMT 26 Dec 95*

[FBIS Transcribed Text] Tokyo, Dec. 26 KYODO — Foreign Minister Yohei Kono will visit France on Jan. 8-10 to attend a key meeting on assistance to Palestinians, government officials said Tuesday [26 December].

At the talks, Kono will announce Japan's aid proposals for Palestinians living under expanded self-rule following the signing of a new Middle East peace accord in September, the officials said.

He will also visit India and Pakistan on Jan. 11-14 for talks with the foreign ministers of the two countries, Pranab Mukherjee and Sarder Asif Ahmad Ali, the officials said.

Kono will be the first Japanese foreign minister to visit India since 1987 and Pakistan since 1988.

Tadashi Kuranari and Sosuke Uno visited India and Pakistan, respectively, when they were foreign ministers.

Diet Members To Monitor Palestinian Election*OW2812093895 Tokyo KYODO in English
0829 GMT 28 Dec 95*

[FBIS Transcribed Text] Tokyo, Dec. 28 KYODO — Thirteen Diet members will make up a bipartisan delegation to visit Palestinian self-rule areas as election monitors at the request of Palestine Liberation Organization (PLO) Chairman Yasir 'Arafat, officials said Thursday [28 December].

The delegation, which includes members from both houses of the Diet, will leave Japan on Jan. 16 in time to visit polling stations during the Jan. 20 election, the officials said.

The election will establish a Palestinian Council to act as parliament under self-rule.

Keizo Obuchi, former vice president of the Liberal Democratic Party, will lead the delegation, the officials said.

They said the delegation will meet 'Arafat and Israeli Prime Minister Shim'on Peres before returning to Tokyo on Jan. 23.

Government Protests to Taiwan Over Naval Drill*OW2612062595 Tokyo KYODO in English
0553 GMT 26 Dec 95*

[FBIS Transcribed Text] Naha, Japan, Dec. 26 KYODO — Japan has lodged a protest with Taiwan over a Taiwanese naval shooting drill conducted on the open

sea without notice last month, an Okinawa prefectural government official said Tuesday [26 December].

The Fisheries Agency made the protest at a meeting of Japanese and Taiwanese business executives Dec. 18., in which agency officials took part as observers, the official said.

The firing exercise involving a naval vessel and an aircraft was observed off the Japanese island of Yonaguni on Nov. 26 by the crew on two fishing boats from the island, the official said.

Taiwan has conducted shooting exercises since July last year in that area. Taiwan had told Japan that it would conduct shooting drills between Tuesdays and Fridays in November, but the latest was carried out on a Sunday.

High-Level Nuclear Waste Shipment Postponed*OW2612110195 Tokyo KYODO in English
0955 GMT 26 Dec 95*

[FBIS Transcribed Text] Aomori, Japan, Dec. 26 KYODO — The planned second shipment of high-level nuclear waste from France to Japan's nuclear recycling plant in the village of Rokkasho in northern Japan has been delayed, electric companies and Japan Nuclear Fuel Ltd. said Tuesday [26 December].

France's state-owned nuclear fuel company Cogema, which reprocesses Japan's spent nuclear fuel, has not yet drawn up a plan for the transportation, Japan Nuclear Fuel officials said.

In April, the British ship Pacific Pintail, owned by British Nuclear Fuels Ltd., carried the first shipment of high-level radioactive waste in 28 vitrified blocks from France, where it was created as a byproduct of reprocessing spent nuclear fuel on behalf of Japanese electric power companies.

The shipment of the waste is the first of several that Japan has planned over the next decade, in which over 3,000 vitrified blocks of waste will be shipped to Japan after spent nuclear fuel is reprocessed by Cogema and British Nuclear Fuels.

Another 96 vitrified blocks were to be brought to the Rokkasho plant in Aomori Prefecture in the second half of fiscal 1995, through the end of March 1996.

The waste would then be buried deep underground, but a final storage site has not yet been decided.

The April shipment drew strong protests from the countries along the shipment route as well as from environment protection organizations and local residents in Aomori Prefecture.

Police Arrest Alleged Illegals From South Asia

OW2612150495 Tokyo KYODO in English
1441 GMT 26 Dec 95

[FBIS Transcribed Text] Nagasaki, Dec. 26 KYODO — Police on Tuesday [26 December] arrested 22 out of 30 Bangladeshi men and one Sri Lankan woman on Tsushima Island in Nagasaki Prefecture, western Japan, on suspicion of entering Japan illegally.

Police sources said the remaining nine will be arrested on the same charges in the case which came to light after residents noticed a mass of foreigners walking on the island, located between Japan and South Korea.

Near the site, police also arrested a 32-year-old captain and one crew member of a small wooden South Korean ship on suspicion of having brought the group to Japan.

The captain told police that the ship departed the southern South Korean port city of Pusan on Sunday with 27 people on board and headed for Fukuoka Prefecture on Japan's southernmost main island of Kyushu. However engine trouble forced the ship to land at Tsushima.

Police said they are investigating the relations between the two cases and the disparity in the numbers of suspected illegal entrants.

Mitsui Sets Up Venture With Russian Firm

OW2712135595 Tokyo KYODO in English
0802 GMT 27 Dec 95

[FBIS Transcribed Text] Tokyo, Dec. 27 KYODO — Japanese trading house Mitsui and Co. said Wednesday [27 December] it has launched a joint project with a Russian defense-related company to manufacture microwave ovens for household use.

The Tokyo-based company said the project is in line with a deal concluded in November last year with Spa Impuls, a Russian aerospace and information equipment maker based in St. Petersburg.

The project calls for Mitsui to provide 5 billion yen worth of production equipment and know-how to the Russian partner for annual production of about 300,000 ovens.

The terms of the deal require Mitsui to make a down payment equivalent to 15 percent of the contracted amount and the Russian government to guarantee repayment of a loan from the export-import bank of Japan to cover the remainder, the company said.

The company said the Russian finance bank BNP-Dresdner Bank issued a certificate to guarantee repay-

ment to support the deal while Mitsui has secured loans from European and Russian banks to finance the project.

Ex-Labor Minister Indicted in Credit Union Case

Background Provided

OW2612092695 Tokyo KYODO in English
0900 GMT 26 Dec 95

[FBIS Transcribed Text] Tokyo, Dec. 26 KYODO — Former Labor Minister Toshio Yamaguchi, facing impending indictment on charges of four counts of crime, caused huge bad loans through stock trading on funds withdrawn from a firm affiliated with a central figure in an aggravated loan scandal, investigation sources said Tuesday [26 December].

Yamaguchi withdrew as much as 38 billion yen from a nonbank financial unit belonging to the EIE International group headed by Harunori Takahashi, former head of the failed Tokyo Kyowa Credit Association, the sources said.

The 55-year-old independent member of the House of Representatives funneled about 90 percent of the funds into stock trading, resulting in uncollectable loans totaling some 13 billion yen.

The Tokyo District Public Prosecutors Office is expected to indict Yamaguchi on Wednesday, the day his detention period is set to expire, on charges of breach of trust, embezzlement, fraud and perjury.

Yamaguchi was arrested Dec. 6 on suspicion of breach of trust by having conspired with Takahashi and his sister, Yoshie Yamaguchi, to arrange 2.7 billion yen worth of illegal loans from Tokyo Kyowa and another failed credit union, Anzen Credit Bank, for the sister's company.

The amount of loans Yamaguchi withdrew through accounts of eight companies and two foundations he was affiliated with from the EIE's financial arm reached a peak of 38 billion yen in 1989, the sources said.

Yamaguchi used most of the borrowed funds for stock trading, but the prices of shares Yamaguchi had invested in fell sharply in tandem with an overall bearish market.

To salvage Yamaguchi from the snowballing bad loans, the financial unit sold part of his stocks it had held as collateral, succeeding in cutting the outstanding bad loans to about 28 billion yen by November 1990, the sources said.

Yamaguchi claims he is not guilty of breach of trust.

Indictment Marks End of Case

OW2712063895 Tokyo KYODO in English
0618 GMT 27 Dec 95

[FBIS Transcribed Text] Tokyo, Dec. 27 KYODO — Prosecutors indicted former Labor Minister Toshio Yamaguchi on Wednesday [27 December] on charges of breach of trust over a loan scandal and three other separate counts of crime.

The indictment of Yamaguchi, 55, brought the number of suspects to 12 charged in the loan scandal embroiling two failed credit unions, Tokyo Kyowa Credit Association and Anzen Credit Bank, putting an end to a yearlong investigation.

Yamaguchi, an independent member of the House of Representatives, faces breach of trust, embezzlement, fraud and perjury charges.

Yamaguchi was arrested Dec. 6 on suspicion of breach of trust by having conspired with former Tokyo Kyowa Chief Harunori Takahashi and his sister, Yoshie Yamaguchi, to arrange 2.7 billion yen in illegal loans from Tokyo Kyowa and Anzen Credit for the sister's company.

The 60-year-old sister has already been indicted on breach of trust charges over the loan scandal.

One of the three other charges against Yamaguchi was for the embezzlement of money from two foundations in which he had served as a board member to use them as collateral for loans to companies run by his relatives.

He was also charged with fraud amounting to some 170 million yen from a University in Kumamoto Prefecture, southwestern Japan, in connection with a failed scheme to build a university in the United States.

Yamaguchi was also slapped with charges of perjury for giving false testimony over the loan scandal before a lower house budget panel in June.

In the testimony, Yamaguchi denied any involvement in arranging illegal collateral-free loans from the two failed credit unions.

The Diet filed a perjury accusation Dec. 15 with prosecutors against Yamaguchi over the false testimony.

Public Prosecutor General Yusuke Yoshinaga told a news conference that with Yamaguchi's indictment the prosecution has wound up its investigation into the shady dealings of the two failed credit unions.

"With the indictment in this case we will conclude our entire investigation," he said.

Yoshinaga had consulted with senior officials from the Tokyo district public prosecutors office, the Tokyo high

public prosecutors office and the supreme public prosecutors office for about one hour earlier Wednesday [27 December] before announcing Yamaguchi's indictment.

Other Suspect Released on Bail

OW2712075595 Tokyo KYODO in English
0725 GMT 27 Dec 95

[FBIS Transcribed Text] Tokyo, Dec. 27 KYODO — A suspect in a widely publicized loan scandal involving two failed credit unions was released Wednesday [27 December] on 150 million yen bail under a Tokyo District Court decision.

The release of Harunori Takahashi, former head of Tokyo Kyowa Credit Association, came about six months after his arrest June 27 on suspicion of breach of trust for his role in arranging illegal loans.

Takahashi, 50, faces five separate breach of trust charges for arranging between 1992 and 1994 a total of 22 billion yen in illegal loans from Tokyo Kyowa and another credit union, Anzen Credit Bank, to companies run by himself and by relatives of former Labor Minister Toshio Yamaguchi.

On Dec. 6, Yamaguchi, a 55-year-old independent member of the House of Representatives, was also arrested on suspicion of breach of trust for arranging 2.7 billion yen in illegal loans from the two failed credit unions to his sister's company.

Plan To Liquidate Housing Firms Summarized

OW2612102895 Tokyo NIHON KEIZAI SHIMBUN
in Japanese 20 Dec 95 Morning Edition p 5

[Unattributed article: "Summary of an Outline of a Scheme For Liquidating Financially Troubled Home Mortgage Companies, on Which an Accord Was Reached Between the Government and the Three Ruling Parties on 19 December"]

[FBIS Translated Text] I. Basic position on handling the issue:

A. Securing transparency —

This also concerns the issue of responsibility. Home mortgage companies should be asked to disclose all information about their management and operations up to date, clarify each individual case on loans, clarify the actual situation about the financial management of affiliated organizations, and make public all materials that can be used to explain why treasury disbursements [zaisei shishutsu] have become unavoidable, such as a systematic explanation of the reasons why funds had been provided to home mortgage companies. Details must be disclosed before the next ordinary Diet session.

B. Clarification of responsibilities of various types:

1. Responsibilities of the Ministry of Finance and Bank of Japan in connection with the financial policies —

A general inspection should be conducted to examine whether they made any mistakes in past financial policies, and how the bubble economy and bad loan issues came about. In particular, measures should be taken to clarify the administrative responsibility for the issue connected with home mortgage companies.

2. Responsibilities of various home mortgage companies —

An inspection should be conducted as to whether sufficient examination had been made before issuing loans and in checking and ensuring security; whether there has been any breach of trust; and whether adequate reports have been made to concerned authorities.

3. Responsibilities of banks and others —

Founding banks of the home mortgage companies should be asked to take the major responsibility for management in the future. Measures should be taken to examine all their responsibilities in management as to whether there are cases in which banks have tried to avoid their primary responsibilities. For example, whether banks are involved in such cases as roundabout financing [ukai yushi] or financing through introduction [shokai yushi].

4. The future of affiliated financial organizations —

Affiliated financial organizations are part of the Japanese financial system, and they should have the awareness that they are also part of the international financial system. The organizations should take drastic restructuring measures and it will be necessary to seriously study the possibility of conducting an internal reorganization.

C. Responsibilities connected with civil or criminal laws —

If any responsibilities connected with a violation of civil or criminal laws should be discovered in the course of handling various cases, it should strictly be exposed as to who should take the responsibility.

D. Recovery of credits —

No matter how difficult it is and how small the amount is, recovery of credits should be carried out strictly and without any reserve. All legal measures, including measures to locate penal responsibility, should be taken to locate borrowers' responsibility. A special organ should be set up under the Deposit Insurance System to recover credits. The possibility will be studied as to whether measures can be taken to temporarily transfer to this organ some incumbent staff members of the

prosecutors' office, the police department, and the tax office; grant them investigation power; and give them power of prosecution so as to locate penal responsibility.

E. On handling of bad loans in the future —

No official intervention will be made into the handling of bad loans of any nonbanks, except for home mortgage companies.

II. Concrete measures for settlement:

A. Treatment of losses — (omitted) [as published];

B. Requests for concerned financial organizations — (omitted);

C. Official intervention — (omitted);

D. Necessary measures should be taken to deal with all the plans mentioned above; home mortgage companies should promptly transfer assets to the organ to be engaged in dealing with the concerned issues; and efforts should be made to steadily handle the assets.

Confirmation has been received that the government will join the ruling parties in carrying out all the items mentioned above.

Housing Plan Likely To Postpone Diet Dissolution

*OW2712065195 Tokyo ASAHI SHIMBUN
in Japanese 26 Dec 95 Morning Edition p 2*

[FBIS Translated Text] The government's incorporation of a scheme to aid housing loan corporations in next year's budget is certain to affect the timing of dissolution of the lower house for a general election.

The prevailing view within the ruling parties is that "the lower house won't be dissolved until after next autumn" because the scheme is under strong fire from the people. Taking advantage of this issue, the New Frontier Party [NFP] has been stepping up its offensive against the Murayama administration; therefore, the next ordinary Diet session is likely to be stormy. At the same time, it has become necessary for the Murayama Cabinet to improve the fiscal situation, which has worsened due to further issuing of deficit-covering national bonds. In this connection, it also seems that timing of the government's decision to study a possible hike of the consumption tax depends on political developments.

Is the General Election Far Off?

According to a scenario suggested by Liberal Democratic Party [LDP] executives, "power will be transferred" from Prime Minister Murayama to LDP President Hashimoto in and after next spring when the fiscal budget is approved by the Diet; and after the transfer of power, the lower house will be dissolved — un-

til early summer, they hope. However, in the face of strong popular reaction against the scheme, a view has emerged within the party: "The party executives underestimated the housing loan companies issue. We cannot fight against the NFP in the current situation" (according to a senior LDP member).

The other members of the ruling coalition, the Social Democratic Party of Japan [SDPJ] and Sakigake [Harbinger], have been cautious about an early election. As for the timing of the general election, a senior member of the Social Democratic Party of Japan [SDPJ] asked, "How could we think of an election in this situation?" But LDP executives are divided on "timing of dissolving the lower house." This is partly because they hope public criticism will lessen if economic recovery is stimulated after the draft budget bill and housing corporation bills are adopted and the bad-loan disposal scheme takes shape in April, and partly because they cannot foresee how the NFP will move.

The LDP plans to mount a counteroffensive by taking up revision of the Religious Corporation Act if the NFP singles out the housing loan corporations issue and steps up the offensive. The LDP sees that the ordinary Diet session will be stormy from the beginning, with a possibility of lower house dissolution. In this way, the LDP is likely to decide on its strategy after seeing public reaction.

When Will the Consumption Tax Hike Be Discussed?

The government's budget bill proposes issuing public bonds amounting to Y21 trillion, including deficit-covering bonds. As LDP Secretary-General Koichi Kato has said that "hereafter responsibility for financial issues lies in politics," there is a prevailing view even within the ruling coalition that measures to restore fiscal soundness are inevitable. Among such financial issues, a possible hike in the consumption tax is likely to be the focus of attention.

Although it has been decided to raise the current 3 percent to 5 percent in April 1997, the law also calls for another review of the consumption tax by next autumn. Coalition members have advocated dissolving the Diet next spring or early summer on the grounds that "it is disadvantageous for the coalition to deal with the election after deciding on a new consumption tax rate. Therefore, it is desirable for us to hold the election before the consumption tax rate is reviewed next autumn" (according to a senior LDP member).

However, if lower house dissolution is postponed until next autumn or later, evasion of debate on the tax issue will likely prevail in both ruling and opposition parties.

Murayama on MidTerm Defense Buildup, TMD

OW2912003195 Tokyo SANKEI SHIMBUN
in Japanese 27 Dec 95 Morning Edition p 3

[FBIS Translated Text] Prime Minister Tomiichi Murayama commented on the mid-term defense buildup program at a meeting of the upper house Audit Committee on the morning of 26 December. In regard to keeping the average annual growth rate of spending for the program at 2.1 percent, the prime minister said: "On the whole, we will still be moving toward scaling down the Self Defense Forces. However, expenses will inevitably increase because of the burden of deferred payments and administrative costs."

Murayama also commented on the Theater Missile Defense (TMD) program. He indicated that Japan intends to continue participating in the program, saying: "Japan is participating in the U.S. research project at the working level. The final decision should be made after repeated discussions from a comprehensive viewpoint."

Details of New Defense Plan Unveiled

OW2812130595 Tokyo KYODO in English
1035 GMT 28 Dec 95

[FBIS Transcribed Text] Tokyo, Dec. 28 KYODO — The Ground Self-Defense Force (GSDF) has drawn up a report, saying about 30 of its 160 garrison towns nationwide could be streamlined under Japan's new defense program, according to a copy of the report made available Thursday [28 December].

The streamlining will be possible because the number of GSDF members will be reduced to 1,000 or fewer at some 100 garrison towns under the proposed new defense program, the report says.

The new defense program outline, which is to replace the current Cold War-era version mapped out in 1976, is expected to set the number of GSDF personnel at 145,000, down from the present 180,000.

The new outline calls for cutting the number of GSDF divisions to nine from the current 13.

The GSDF will decide which garrison towns will be streamlined within five years in the hope that the plan will be carried out in 10 years' time after making adjustments with the municipalities concerned.

The government is now working on details of the new defense program outline so as to have it adopted in time for the start of fiscal 1996 in April.

Editorial on Coalition Parties' Defense Policy

*OW2612120995 Tokyo YOMIURI SHIMBUN
in Japanese 23 Dec 95 Morning Edition p 3*

[Editorial: "Ruling Coalition Parties Put Off Discussions on Defense"]

[FBIS Translated Text] Giving the top priority to maintenance of the coalition government, the ruling coalition parties either make compromises with each other or shelve problems for future settlement. They always give the top priority to maintenance of the coalition government while saving face without having thorough discussions on major issues.

This is the pattern the ruling coalition parties always follow when their opinions are divided over important issues.

This pattern was evident when they made compromise after compromise in compiling the midterm defense buildup plan for FY96- 2000 on the heels of a new National Defense Program Outline which was worked out late last month, and in coordinating opinions within the government and the coalition parties over compilation of a defense budget for next fiscal year.

We cannot allow such a way of dealing with important issues because security and defense policies are fundamental national issues. The coalition parties should reflect on what they are doing.

Giving consideration to "military reductions," which the Social Democratic Party of Japan [SDPJ] strongly calls for, the government ostensibly kept the annual growth rate of defense spending for the next mid-term defense buildup plan at 2.1 percent, the level of the current five-year defense plan. But the actual growth rate increases to 2.25 percent because the government, in consideration of the Liberal Democratic Party [LDP], approved a 110 billion-yen spending adjustment.

Moreover, this 2.25 percent growth rate is exactly halfway between the "2.5 percent" that the LDP wanted and the "2 percent or less" that was demanded by the SDPJ during negotiations among the three coalition parties.

Plans for the introduction of air tankers, mass production of next-generation support fighters, and other matters are worded ambiguously to prevent confrontations within the coalition.

In preliminary negotiations on the compilation of the defense budget for FY96, the SDPJ and the Finance Ministry said the growth rate should be cut to the level set in the next five-year defense program, while the LDP and the Defense Agency called for a growth rate (of 2.9 percent), the rate demanded in the spending request to

the Finance Ministry. But in another compromise, the growth rate was set at the halfway point of 2.58 percent.

In all cases, compromises were made to save the face of the LDP and the SDPJ.

On the basis of the new National Defense Program Outline, the next five-year defense plan presents a blueprint on what kind of equipment the Self-Defense Forces [SDF] will need to improve Japan's defense capability. The defense budget for FY96 will play the important role of giving flesh to a defense buildup plan for the initial year of the five-year defense buildup plan.

In this sense, the past one-month period in which the defense outline and the budget for the next fiscal year were compiled should have offered a golden opportunity to the ruling coalition parties to conduct in-depth discussions on defense matters.

Nevertheless, coordination within the coalition resulted in "papering over the figures" and hardly represented an exchange of views on defense. The lack of real discussions on "what is needed for Japan's defense" and "why this equipment is necessary" is truly regrettable.

The LDP and the SDPJ feared that full-scale discussion on defense could lead to a dissolution of the coalition government.

The biggest reason for the lack of thorough discussions on defense is that the SDPJ is still unable to depart from its conventional way of thinking on individual security and defense policies while ostensibly sharing the views with the LDP on "the SDF as constitutional" and "firmly maintaining the Japan-U.S. security arrangements."

Lifting the ban on SDF personnel participating in the UN peacekeeping operations and peacekeeping force was put off and no discussions were conducted on the right to collective defense because the SDPJ adhered to its conventional thinking.

As long as the coalition government continues to act like this, we cannot expect it to come up with security policies that win the trust of people both at home and abroad. There are only two alternatives to change this situation. Either a new combination of coalition partners is needed or the SDPJ should change its way of thinking completely.

Coalition To Launch Forum for New Alliance

*OW2712134095 Tokyo KYODO in English
1156 GMT 27 Dec 95*

[FBIS Transcribed Text] Tokyo, Dec. 27 KYODO — Prime Minister Tomiichi Murayama and New Party Sakigake [Harbinger] head Masayoshi Takemura agreed

Wednesday [27 December] to set up a new forum of lawmakers from the three parties in the ruling coalition to seek a wider alliance of political blocs in the diet, officials said.

Murayama, who heads the Social Democratic Party (SDP), and Takemura, who is the finance minister, agreed on the plan to launch the forum Jan. 10 with about 20 members, including legislators of the SDP, Sakigake and the Liberal Democratic Party (LDP).

The group will also contain leaders of businesses and labor unions.

The group is the brainchild of Murayama, who faces strong pressure within the SDP from a group calling for an early inauguration of a new party to replace the SDP.

Shusei Tanaka, a senior member of Sakigake, said the group is expected to draw up a recommendation for renovation of Japanese politics by next summer.

Tanaka also told reporters that the new forum will not rule out the possibility of participation by some members of the main opposition party, Shinshinto (New Frontier Party).

SDPJ Member Akiba To Run for Party Chairman

*OW2612143695 Tokyo KYODO in English
1349 GMT 26 Dec 95*

[FBIS Transcribed Text] Tokyo, Dec. 26 KYODO — A leading member of the Social Democratic Party's staunch left-wing said Tuesday [26 December] that he will run for the party leadership next month when Prime Minister Tomiichi Murayama's term as party chairman expires.

Tadatoshi Akiba, a House of Representatives member from Hiroshima, telephoned Murayama of his decision to run for the chairmanship in an intraparty election scheduled for Jan. 14-15.

The outcome of the poll is to be announced Jan. 16 and a new SDP leadership selected at an annual party convention set for Jan. 19. Applications for candidacy will be accepted Jan. 5.

Murayama, 71, has suggested he will run for another term as the party's leader and different quarters in the SDP have been floating different names as potential opponents.

Akiba, 53, has been a member of an SDP group opposed to policy changes within the party and to the formation of a new Liberal Party sought by a right-of-center group led by the party's No. 2 man, Secretary General Wataru Kubo.

Akiba's group opposes the dispatch of Self-Defense Forces troops to the Golan Heights in the Middle East on a UN peacekeeping mission and is against any increases in Japanese military might.

The group, the Roundtable To Guard the Constitution, went so far as to hold its own celebrations in November to mark the 50th anniversary of the founding of the Socialist Party.

Eligible to vote in the January election are some 110,000 SDP members and supporters who have been cooperating with the party for more than a year.

The SDP is a partner in the tripartite ruling coalition that also includes the Liberal Democratic Party (LDP) and New Party Sakigake, an LDP splinter group.

'Summary' of LDP's Draft Action Program

*OW2612105895 Tokyo YOMIURI SHIMBUN
in Japanese 21 Dec 95 Morning Edition p 5*

[Unattributed article: "Summary of the Draft 1996 Action Program of the Liberal Democratic Party (LDP) Disclosed on 20 December and To Be Adopted at the Party Convention Scheduled For 18 January 1996"]

[FBIS Translated Text] 1. Preamble:

Today, one-and-a-half years after the Murayama administration's inauguration, the public has reached a consensus that our party has made the right choice (in supporting the leader of the Social Democratic Party of Japan [SDPJ] as the prime minister). However, since our party's failure in the election for the House of Councilors last year, we have been criticized for having lost the "LDP color." The genuine "LDP color" can be brought into full play only under "an administration headed by the LDP leadership (the prime minister)." To translate our party's independent concepts and policies into reality, we must win in the next general election and form "an administration headed by LDP leadership (the prime minister)," while attaching importance to the relationship of trust maintained under the three-party coalition administration.

What currently deserves the most concern in Japanese politics is the fact that Sokka Gakai, a religious organization, is attempting to seize political power under the cover of a political party, the New Frontier Party [NFP]. Measures should be taken to establish a principle under which politics and religion can keep to its own sphere.

2. Our party's major policies:

The Japan-U.S. relationship will continue to be the cornerstone of Japanese foreign policy. With regard to the issues connected with U.S. military bases on

Okinawa, it will be necessary to form a cool and clear view of the true nature of these issues and deal with them with caution.

Setting the full-scale economic recovery and revitalization as a top-priority objective, we will first take measures to arouse demands, then promote drastic reform of the economic structure together with corresponding measures to improve the employment issue and speed up establishment of a "creative economic system" that will guarantee us with a promising future in the 21st century.

The program to shift functions of the capital to other localities is indispensable to our major policies aiming at correcting overconcentration of functions in the Tokyo area and at strengthening measures to deal with such major disasters as earthquakes.

3. Establishment of a solid party organization to deal with the new electoral system:

It is of urgent necessity to strengthen the organization of local chapters under the leadership of federations of local chapters. It is also necessary to further strengthen cooperation with all other friendly organizations.

4. Importance to be attached to youth and female activities: (omitted) [as published]

5. The mission of President Ryutaro Hashimoto lies in forming an LDP cabinet that will be powerful enough to eliminate the economic and social apprehensions that exist today, and to pursue "trustworthy and stabilized politics" desired earnestly by our people. We must offer standards for selection by indicating our party's original ideas and appealing concrete policies.

Communist Party Leads in Local Fund Raising

OW2712233195 Tokyo KYODO in English
2312 GMT 27 Dec 95

[FBIS Transcribed Text] Tokyo, Dec. 28 KYODO — Political parties and fund-raising organizations collected a total of 159.5 billion yen in local political funds in 1994, according to a count by KYODO NEWS SERVICE from reports to prefectural election administration committees.

The amount was larger, for the first time ever, than the total of political funds collected in Tokyo and reported to the Home Affairs Ministry, which was 148.4 billion yen.

In total, the political funds collected in 1994 amounted to 307.9 billion yen, down 6.8 percent from the previous year, for the third consecutive year-on-year decline since peaking at 359.1 billion yen in 1991.

Local fund-raising parties with proceeds of 10 million yen or more numbered 225, for total funds of 7.7 billion yen, marking a 2.9-fold jump.

The Japanese Communist Party topped the list of the fund raisers in the prefectures, with 29.2 billion yen, followed by the Liberal Democratic Party with 14.9 billion yen, and the Social Democratic Party with 6.6 billion yen.

Politicians Classified on Constitutional Revision

962B0013A Tokyo INTELLIGENCE in Japanese
Dec 95 pp 66-70

[FBIS Translated Excerpt]

Constitutional Revision: Politician Classification Picture In Era Of General Conservatism

The footsteps of constitutional revision are approaching. The very text of the Japanese Constitution, which renounces war and denies the right to engage in warfare, has created a contradiction with reality and the constitutional problem is an issue which normally has been thrust before the public as a political problem. The Liberal Democratic Party (LDP), which has come to consider independent establishment of a constitution as the party platform, and the Socialist Democratic Party of Japan (SDPJ), which has the view of safeguarding the Constitution and that the Self Defense Forces (SDF) are unconstitutional, have formed a coalition government and amidst the change in the times where PKO dispatch of the SDF is a matter of course, what do the 498 Diet members in the House of Representatives (13 vacancies) think?

60 Percent of Diet Members "Safeguard Constitution"?

"Depending on the results of the next general election, the problem of constitutional revision probably will surface quickly as a political issue." — This observation is spreading in Nagata-cho where a great commotion is continuing about revision of the religious corporation law and the problem of applying the Anti-Subversive Activities Act to the Aum Shinrikyo.

The next general election will be carried out under the small electoral district-proportional representation system, but the view is growing stronger that, as the YKK of the LDP say, "Once the election is over, there will be a general ruling party except for the Japan Communist Party (JCP)." In the predictions by the various mass media companies, the forecast of Diet seats exceeds 400 (500 full number) for both the LDP and Shinshinto combined. If the LDP and Shinshinto form a so-called conservative-conservative coalition,

they will easily surpass the two-thirds seats necessary for proposing revision of the Constitution in the House of Representatives.

Regardless of the rise in public opinion or the necessity for revising the Constitution, there is a strong possibility that the physical conditions for proposing a revision of the Constitution based on Article 96 of the Constitution in the House of Representatives will be created after the next general election. For that very reason, there now must be a questioning of the thinking of incumbent House of Representative Diet members about the Constitution.

In June last year, the Asahi Shimbun attempted an interview survey of all House of Representative Diet members. There were 13 questions such as 1) the date of dissolution and electoral district system, 2) approval or not of Cabinet non-confidence motion, 3) what the form of political reorganization should be, 4) approval or not of the district apportionment proposed at the time of the Kaifu Cabinet, 5) approval or not of raising the consumption tax, 6) basis for decentralization of power not proceeding, 7) approval or disapproval of Diet renunciation of war resolution, 8) regarding Article 9 of the Constitution, 9) existence or not of death penalty system, and 10) whom they desired as the next leader.

Among them, of the total 475 responses to the question, "Should Article 9 of the Constitution be kept as present, or do you think that it is necessary to revise it?", 302 answered that "It should be kept as present," and 63 replied that "It is necessary to revise it." The remaining 110 were "Other/no response," and "the keep status quo faction" accounted for 63 percent and the "constitutional revision faction" was only 13 percent.

However, the classification of politicians on the constitutional problem is very difficult. For example, even though they say, "we should keep the status quo," there are various differences in degree of fervor from the single-minded "Constitution safeguarding faction" which advocates that "Since the Constitution renounces war and denies engagement in warfare, the existence of the SDF is unconstitutional and cannot be sanctioned. PKO dispatch of the SDF is highly objectionable," to the "Constitution reinterpretation affirmative faction" which says that "The existence of the SDF generally is approved by the people and the ruling SDPJ also has changed their basic policy to that effect. There is no need to change the text itself and it should be kept a reinterpretation of the current Constitution. PKO also are constitutional under that framework."

The former are the Constitutional Safeguarding Roundtable Discussion Group of the SDPJ (representative organizers: House of Councillors Diet member Osamu

Yatabe and House of Representatives Diet member Tadatoshi Akiba; 10 members at time of formation) and representative of the latter are the majority of the SDPJ, former prime minister Kiichi Miyazawa, doyen of the LDP, former deputy prime minister Masaharu Gotoda, and foreign minister Yohei Kono who recently lost the posts of president of the LDP and deputy prime minister, but there are slight differences in nuance variously among them.

"There certainly has been a decrease in politicians of the pure constitutional safeguarding faction who are against the U.S.-Japan Security Treaty, say the SDF are unconstitutional, are absolutely against PKO and PKF, and defend the Peace Constitution to the letter. However, almost all of the publicists have this thinking (view that SDF are unconstitutional) and little by little, Japanese politics since the inauguration of the SDF has come to make a constitutional reinterpretation of it that confirms reality. So, under the current situation, as was clear even in the Asahi Shimbun survey, the constitutional safeguarding faction and the status quo affirmative faction (no need to revise the Constitution with express provisions) are the biggest force. That is to say, the SDPJ, not to mention almost all of the LDP, belong to this group because of the response that 'There is no need to change Article 9. The status quo should be kept.'" (SDPJ Diet member secretary)

Of course, there is a "revision of the Constitution with express provisions faction" in the LDP also, such as former minister of justice Seisuke Okuno, former minister of posts and telecommunications Masaaki Nakayama of the former Seirankai, and former prime minister Yasuhiro Nakasone. In the Shinshinto, an "aggressive constitutional revision faction" is making rumbles, such as secretary general Ichiro Ozawa who clearly sets forth in his own book "Plan To Rebuild Japan" a proposal for revising Article 9 of the Constitution.

Even Ryutaro Hashimoto who became LDP president advocated in the midst of the presidential election that "The Article 9 debate has been shelved, but Article 89 of the Constitution which states limitations on the expenditure of public property and appropriation of its use should be changed in relation to aid to private schools." He is pointing out that Article 89, which says that "No public money or other property shall be expended or appropriated for the use ... of any charitable, educational or benevolent enterprises not under the control of public authority," contradicts national assistance to private schools. Just for Article 9, Hashimoto is in the "keep status quo faction," but on Article 89, he is in the "clear constitutional revision faction."

Articulate "Ozawa Constitutional Revision Theory"

Therefore, let's look at the separate table and bird's-eye view chart.

In the table, a list is made of major House of Representatives Diet members, dividing them into three positions regarding the constitutional problem: "Constitutional Safeguarding/Maintaining Status Quo Faction," "Middle-of-the Road Faction," and "Aggressive Constitutional Revision Faction." The JCP is taking the stance of opposition to constitutional revision, but due to the nature of the party, thinking on basic party policy does not differ with individual Diet members. For that reason, they were not listed since they were not suited to an "individual politician categorization," but advocacies by the LDP and Shinshinto are prominent in the aggressive constitutional revision faction and there are many Diet members in the LDP, SDPJ, and old Komeito in the constitutional safeguarding/maintain status quo faction.

First, let's take a look from the assertions of the aggressive constitutional revision faction. Ichiro Ozawa, secretary general of the Shinshinto, who announced the idea of what should be called "the tentative plan to revise Article 9 of the Constitution" in the "Plan To Rebuild Japan," wrote thus in his book.

It is a little long, but let's quote.

"I think that even under the current Constitution, the SDF can be provided to the United Nations as a UN standby force and they can be put into action locally overseas. That is because those activities all would be based on UN policy, would be carried out under UN command, and would not be an exercise of sovereign rights. (omission)

"However, there are no clear provisions in regards to dealing with a UN environment in the current Constitution. Therefore, there always will be repeated unproductive disputes surrounding interpretation of the Constitution. I have two proposals to settled this debate. One is to add a new 'paragraph 3' to Article 9 of the Constitution.

" 'Paragraph 1. Aspiring sincerely to an international peace based on justice and order, the Japanese people forever renounce war as a sovereign right of the nation and the threat or use of force as means of settling international disputes.

" 'Paragraph 2. In order to accomplish the aim of the preceding paragraph, land, sea, and air forces, as well as other war potential, will never be maintained. The right of belligerency of the state will not be recognized.'

"After this, the follow text, for example, would be added.

" 'Paragraph 3. However, the provisions of the previous two paragraphs will not prevent the maintenance of self defense forces to act for the creation of peace, or the maintenance of a joint international standby force for operation under the command of the United Nations upon request, or the operation of a joint international standby force under the command of the United Nations.' [passage omitted]

"Article 9 clearly prohibits the Japanese government from conducting armed activities overseas by their own volition. People who fear the 'revision of the Constitution little by little with interpretation' probably will harbor doubts that it will create a fait accompli of troops dispatched overseas with the United Nations as the breach and eventually there will be armed activity under Japan's own command. However, this would clearly be a violation of the Constitution. I think that this added paragraph is necessary to prevent that fear beforehand." It is an articulate "constitutional revision theory" typical of Ozawa. All the members of the aggressive constitutional revision faction have a similar viewpoint. The previous "formal and emotional constitutional revision theory" that "the text of the Constitution is badly translated text and does not comprehended as Japanese" naturally has vanished.

The manner of statements picked up from newspapers and magazines is "Middle school students today probably do not understand why the SDF are affirmed (under the text of this Article 9)." (Taku Yamasaki, chair of LDP Policy Research Council) "There are limits to constitutional revision by interpretation." (Kotaro Yamazaki, House of Representatives Diet member, Shinshinto) "It is necessary to revise Article 9 of the Constitution. The Self Defense Forces Act also [needs] revision." (Former health and welfare minister Saburo Toida, former director-general Yoichi Tani, Hokkaido and Okinawa Development Agencies, LDP) "There is a need for constitutional revision." (Ichizo Miyamoto, House of Representatives Diet member, Shinshinto)

Pure Constitutional Safeguarding Faction Extremely Small

They require special attention because among them, as mentioned before, there are "skilled manipulators" like Ryutaro Hashimoto who has shelved Article 9 and found parts where there is a clear contradiction between the text of the Constitution and reality like Article 89 and though it is not the same anthole, he will take it from there to revision of the Constitution, including Article 9.

At the present point time, as per the Asahi Shimbun survey, the "aggressive constitutional revision faction" is a small faction. However, looking at the comments as follows from the "middle-of-the-road faction" which says that "the timing is premature" and "national debate is necessary," these people do not know when there was a shift change from the "constitutional debate theory" that current constitutional problems should be debated to a clear "constitutional revision theory."

"There is a need to boil down debate." (Kozo Yamamoto, House of Representatives Diet member, Shinshinto) "The time is not ripe for it (constitutional revision)." (Ichiro Koizumi, former minister of posts and telecommunications, LDP) "Debate after Diet reform." (Yuriko Koike, party deputy secretary general, Shinshinto) "Revision is not necessary if there is an atmosphere of flexible public opinion." (Bunmei Ibuki, former health and welfare parliamentary vice minister, LDP) "We should think about what will happen with the doctrine of Article 9 and the new order." (Issei Koga, former Economic Planning Agency parliamentary vice minister, Shinshinto)

They seem to imply, "Revise the Constitution if the opportunity is ripe," or "Revise the Constitution if public opinion is rigid." The armor is peeking out from under their sleeves.

On the other hand, the "constitutional safeguarding and keep the status quo faction" also now is scattered in standpoint. The electorate is puzzled because it has become a era when from the left wing of the SDPJ to former prime minister Miyazawa and former deputy prime minister Gotoda are using the same words of safeguarding the Constitution.

"Strictly speaking, a fence should be created between the constitutional safeguarding faction and the maintain the status quo faction on whether they have the view that the Security Treaty and SDF are unconstitutional or the view that the Security Treaty and SDF are constitutional, but if you do that, the pure constitutional safeguarding faction, or in other words, the faction that views the Security Treaty and SDF as unconstitutional becomes an extremely small faction. Therefore, they are bundled up as the constitutional safeguarding and maintain the status quo faction, including the constitutional reinterpretation faction, and a more realistic classification is in comparison with a constitutional express text revision faction." (a constitution scholar)

The SDPJ "Constitutional Safeguarding Roundtable Discussion Group" also had 10 members of the House of Representatives and House of Councillors combined at the time of its inauguration, but perhaps because of the electoral district situation with House of Repre-

sentatives Diet member Tatsukuni Komori (Hiroshima No. 3 District) leaving the SDPJ and becoming unaffiliated, Diet members have appeared who are trying to distance themselves a little from the roundtable discussion group. In the House of Councillors, Diet members who have a clear standpoint of safeguarding the Constitution, saying "absolutely no revision of the Constitution," are quite conspicuous such as Diet members Osamu Yatabe and Hideo Den and previous Diet member Masao Kunihiro, but only noteworthy in the House of Representatives are Tadatoshi Akiba (Hiroshima No. 1 District), Takeshi Takeuchi (Ibaraki No. 3 District) and Kenichi Hamada (Kagoshima No. 2 District) of the SDPJ, Tatsukuni Komori, Hiromi Okazaki (Hyogo No. 1 District), and Seiichi Kaneda (Hokkaido No. 3 District), and speaker of the House Takako Doi (Hyogo No. 2 District) and deputy speaker of the House Hyosuke Kujiraoka (Tokyo No. 10 District), and the pure constitutional safeguarding faction is a small faction.

Therefore, let's introduce comments of the "constitutional safeguarding/maintain status quo faction" previously carried in the newspapers, etc.

"It is not the time to take up revision of the Constitution." (Masaharu Gotoda, former deputy prime minister, LDP) "We of the Taisho era (1912-1926) fundamentally are different (in protecting the Constitution) from later generations (in our thinking about the Constitution)." (Hiromu Nonaka, previous minister of Home Affairs, LDP) "There are no reasons to revise it." (Yanosuke Narazaki, former SDPJ central executive committee member, unaffiliated) "There is no need to revise it." (Taro Aso, LDP deputy secretary general) "It (Article 9 of the Constitution) is the nucleus of the peace constitution." (Makoto Koga, former LDP General Council chair) "Article 9 of the Constitution can be boasted to the world." (Harumichi Hosoya, previous Transport parliamentary vice minister, SDPJ) "It should be considered carefully that the Constitution has been deeply accepted by the people." (Sekisuke Nakanishi, vice chair, SDPJ Prefectural Headquarters), etc.

Their true feelings are not conveyed at all in the comments. Therefore, as per the bird's-eye chart on page 69, major politicians and political parties are distributed on the graph with thinking about the Security Treaty, SDF, and military taken as the vertical axis and popular sovereignty or nation first policy taken as the horizontal axis. The more you go up the vertical axis means the stronger the military expansion orientation and the more you go down, the stronger the military reduction orientation. The further right you go on the horizontal axis, the thinking is that popular sovereignty can be limited for the benefit of the nation. The further

left you go, the thinking is that popular sovereignty should have priority over national interests. However, the JCP, for example, are distributed at the lowest left under the current situation where they have 29 seats in the two Houses combined like now. Such a thing probably is impossible, but if the JCP were to take power, even though the U.S.-Japan Security Treaty would be reviewed, they probably would maintain a "military force" like a national defense force because they advocate maintaining war power for self defense and nationalist policies would be strengthened where national interests would be given priority over public interests. Therefore, "After taking power, wouldn't the JCP be positioned in the upper right block of the bird's-eye chart?" (SDPJ source)

LDP and Shinshinto Overlap Each Other

In any case, looking at the separate bird's-eye chart that was prepared by asking the opinions of many political desk reporters and political party sources, it is found that the distribution of the LDP and Shinshinto almost overlaps. Although both parties differ in appearance and name, their basic stance is strengthening the Security Treaty and the SDF and is the same as the old LDP which emphasized national sovereignty over popular sovereignty. In addition, viewed by personages, the infamous hawk faction shows its face in large numbers in the upper right with Ichiro Ozawa, Seisuke Okuno, Yasuhiro Nakasone, Masaaki Nakayama and others. Even president of the LDP Ryutaro Hashimoto substantially is in the hawk faction despite appearances, and it is found that the former Democratic Socialist Party (DSP) has thinking way further to the right than senior LDP Diet members such as Kiichi Miyazawa, Masaharu Gotoda, and Noboru Takeshita.

Moreover, the Shinshinto which keeps company with them agrees with them in the large framework on the Security Treaty and SDF issues on the vertical axis, but when it comes to the option of nationalism or popularism on the horizontal axis, it is a considerably scattered distribution. Morihiro Hosokawa and others of the old Japan New Party (JNP) group have about the same stance as the SDPJ and Sakigake, and stretch from left to right. Unexpectedly, it probably can be said to be proven that the Shinshinto is a group close to an illicit union in terms of policy than a broad political party. Then, the SDPJ in the ruling party currently is located in the lower left block, but if a new socialist party is created, it will be located in the axis center just where the vertical and horizontal axes intersect. This is not because the thinking of the individual Diet members has changed, it is because they will be trying to move the group, taking any stance in the current

political situation. Their only calculated result is to be able to latch hands with any political party, perhaps having savored being the ruling party. If you look to the politician classification picture in an era of general conservatism, that fact becomes apparent. (span)

Constitutional Safeguarding Faction/Maintain Status Quo Faction

Name	Party	Electoral District	Times Elected	Current Position/Major Political Career
Hyosuke Kujiraoka	Unaffiliated	Tokyo No. 10	11	Deputy Speaker, House of Representatives
Yanosuke Narazaki	Unaffiliated	Fukuoka No. 1	11	Former SDPJ Central Executive Committee
Yohei Kono	LDP	Kanagawa No. 5	10	Previous party president
Nobuyuki Hanashi	LDP	Ibaraki No. 1	10	Minister of Home Affairs
Kiichi Miyazawa	LDP	Hiroshima No. 3	10	Former Prime Minister
Keiwa Okuda	Shinshinto	Ishikawa No. 1	9	Former Minister of Posts and Telecommunications
Takako Doi	Unaffiliated	Hyogo No. 2	9	Speaker, House of Representatives
Seisuke Shiga	LDP	Iwate No. 2	8	Former Director General, Environment Agency
Hiroshi Mitsuzuka	LDP	Miyagi No. 1	8	Previous Party Secretary General

Name	Party	Electoral District	Times Elected	Current Position/ Major Political Career
Koichi Kato	LDP	Yamagata No. 2	8	Party Secretary General
Seiroku Kajiyama	LDP	Ibaraki No. 2	8	Former Minister of International Trade and Industry
Masaharu Gotoda	LDP	Tokushima	7	Former Deputy Prime Minister
Kunio Hatoyama	Shinshinto	Tokyo No. 8	6	Former Minister of Education
Taro Aso	LDP	Fukuoka No. 2	5	Party Deputy Secretary General
Hiromu Nonaka	LDP	Kyoto No. 2	5	Previous Minister of Home Affairs
Satsuki Eda	Shinshinto	Okayama No. 1	4	Former Secretary General, Science and Technology Agency
Naoki Tanaka	LDP	Fukushima No. 3	3	Director, Standing Committee on Foreign Affairs
Shusei Tanaka	Sakigake	Nagano No. 1	3	Party Acting Representative
Masayoshi Takemura	Sakigake	Shiga	3	Minister of Finance
Tadatoshi Akiba	SDPJ	Hiroshima No. 1	2	Director, Standing Committee on Foreign Affairs

Name	Party	Electoral District	Times Elected	Current Position/ Major Political Career
Tomiko Okazaki	SDPJ	Miyagi No. 1	2	Former Education Parliamentary Vice Minister
Tatsukuni Komori	Unaffiliated	Hiroshima No. 3	2	Member, Standing Committee on Judicial Affairs

Middle-of-the Road Faction

Name	Party	Electoral District	Times Elected	Current Position/ Major Political Career
Toshiki Kaifu	Shinshinto	Aichi No. 3	12	Party Head, Shinshinto
Kozo Watanabe	Shinshinto	Fukushima No. 2	9	Former Minister of International Trade and Industry
Junichiro Koizumi	LDP	Kanagawa No. 2	8	Former Minister of Posts and Telecommunications
Yuichi Ichikawa	Shinshinto	Kanagawa No. 2	7	Party Acting Secretary General
Michihiko Kano	Shinshinto	Yamagata No. 1	7	Former Minister of Agriculture, Forestry and Fisheries
Tomiichi Murayama	SDPJ	Oita No. 1	7	Prime Minister

Name	Party	Electoral District	Times Elected	Current Position/ Major Political Career
Hajime Funada	Shinshinto	Tochigi No. 1	6	Former Director General, Economic Planning Agency
Takenori Kanzaki	Shinshinto	Fukuoka No. 1	4	Former Minister of Posts and Telecommunications
Saburo Shirasawa	Shinshinto	Niigata No. 2	1	Party National Life Parliamentary Aide
Morihiro Hosokawa	Shinshinto	Kumamoto No. 1	1	Former Prime Minister
Yuriko Koike	Shinshinto	Hyogo No. 2	1	Party Deputy Secretary General

Aggressive Constitutional Revision Faction

Name	Party	Electoral District	Times Elected	Current Position/ Major Political Career
Ryutaro Hashimoto	LDP	Okayama No. 2	11	Deputy Prime Minister
Masajuro Shiokawa	LDP	Osaka No. 4	10	Chair, Party General Council
Yoshiro Mori	LDP	Ishikawa No. 1	9	Minister of Construction
Ichiro Ozawa	Shinshinto	Iwate No. 2	9	Party Secretary General

Name	Party	Electoral District	Times Elected	Current Position/ Major Political Career
Taku Yamasaki	LDP	Fukuoka No. 1	8	Chair, Party Policy Research Council
Toshio Nakayama	LDP	Ibaraki No. 1	7	Former Director General, Japan Defense Agency
Saburo Toida	LDP	Hyogo No. 4	7	Former Minister of Health and Welfare
Yoichi Tani	LDP	Hyogo No. 5	7	Former Director General, Hokkaido and Okinawa Development Agencies
Seiichi Ota	LDP	Fukuoka No. 1	5	Former Finance Parliamentary Vice Minister
Muneco Suzuki	LDP	Hokkaido No. 5	4	Chair, Special Committee on Okinawa and Northern Problems
Shozaburo Jimi	LDP	Fukuoka No. 4	4	Former International Trade and Industry Parliamentary Vice Minister
Eitaro Itoyama	LDP	Saitama No. 3	3	Former Agriculture, Forestry and Fisheries Parliamentary Vice Minister

Name	Party	Electoral District	Times Elected	Current Position/ Major Political Career
Yukio Hatoyama	Sakigake	Hokkaido No. 4	3	Party Representative Secretary General
Ichizo Miyamoto	Shinshinto	Hyogo No. 2	1	Party Deputy in charge of Administrative Reform
Kotaro Yamazaki	Shinshinto	Fukuoka No. 1	1	Director for Decentralization of Power

Takemura Answers NIKKEI Questions on Jusen
OW2912003695 Tokyo NIHON KEIZAI SHIMBUN
in Japanese 23 Dec 95 Morning Edition p 3

['Text' of a written statement by Finance Minister Masayoshi Takemura contributed to NIHON KEIZAI SHIMBUN on 22 December in reply to the paper's 21 December editorial posing questions on the home mortgage lenders [jusen] issue]

[FBIS Translated Text]

Summary

1. A settlement (of the problem of home mortgage lenders) by legal procedures will take several years, and worsened apprehensions about and confusions in the entire financial system may deal a fatal blow to the nation's economy.
2. Use of public funds is necessary to restore domestic and foreign confidence in the stability of the Japanese financial system, to protect depositors, and to obtain full-scale recovery of the economy.
3. Agricultural financial institutes should be aware of their roles in the global financial system and carry out drastic business restructuring. They should seriously discuss organizational and structural reform.
4. (Regarding responsibilities of managers of the agricultural financial institutes) the government will try its best to clarify who is responsible for the problem, in line with the latest accord reached among the coalition parties.
5. (With respect to the responsibility of the administrative branch,) we intend to draw certain conclusions on

details of what we should clarify, including the causes and effects of the jusen problem.

Both the domestic and international communities regard the problem of the home mortgage lenders (jusen) as a symbol of Japan's bad debt problem. An early settlement of the jusen problem is strongly desired.

The government has decided to spend 685 billion yen [Y] from fiscal funds even in the tight fiscal situation. It was an inevitable decision, but I feel very sorry about the financial burden it puts on the people. Some quarters say tangible measures for settling the problem should be designed after clarifying who is responsible for the problem; however, I would like to ask the public to understand that early action is needed to ensure the stability of the Japanese financial system and to obtain full-scale recovery of the economy. A patient in the emergency room needs immediate treatment rather than an examination of why he or she is sick — in a way, our decision was a crisis management measure.

The U.S. Treasury Department has welcomed our decision as a definite action to settle the problem. European nations and the market are also responding positively.

NIHON KEIZAI SHIMBUN's 21 December editorial asked me seven questions on the jusen issue. I would like to take this opportunity to give my opinions by answering those questions. 1. Question 1 — Why were secret administrative tactics adopted in settling the jusen issue? Why can the issue not be settled through the same legal procedures ordinary companies face?

1) The government mentioned the jusen problem on several occasions — "emergency measures for coping with the yen appreciation and economic recession" on 14 April; the statement on "recovery of financial system functions" on 8 June; and the statement on "early settlement of bad loans held by financial institutes" on 27 September. The ruling coalition's project team on the financial and securities market has met over 20 times since last June and carried on heated debates, and the Financial System Research Council has also dealt seriously with the topic. The government's latest decision was made in light of various discussions in the ruling parties and the government, in consideration of developments in these serious discussions and negotiations by the parties concerned. I do not think secret administrative tactics were employed here.

Hereafter, we will try to obtain public understanding of the policy through Diet discussions on related bills and budget plans.

2) The jusen issue is different from bankruptcy of ordinary companies in the sense that it involves so many parties concerned in complicated ways, as well as huge

amounts of money. It is a problem endangering Japan's financial system and the entire economic system and should be settled as soon as possible. In consideration of these unique factors, the government and the ruling coalition have concluded that public assistance is the best solution, although concerned parties must make their best efforts as a matter of course.

If the jusen issue is settled through legal procedures, liquidation procedures involving a large number of individuals and a large amount of money may take several years. In that case, worsened apprehensions about and confusions in the entire financial system, the artery of the Japanese economy, may give a fatal blow to the nation's economy. We need to avoid such a situation at any rate.

3) Ultimately, burden-sharing of business losses should be determined by creditors, depending on how much is lost through liquidation and how much each creditor can bear. We do not think the government has the power to determine it. The government's liquidation plan just indicates the administrative branch's opinion on appropriate measures based on studies of various factors and consultations with the coalition parties. In addition, the government and the ruling coalition have agreed to clarify as far as possible the financial condition of jusen companies before the next ordinary Diet session. 2. Question 2 — Why have no adequate "emergency" measures been taken? Special loans by the Bank of Japan [BOJ] and other monetary measures may be hammered out. To appropriate such funding suddenly in the draft general account budget in the wake of the "declaration on the financial crisis" is too hasty.

1) The special BOJ loan program issues loans to those who are able to pay back. We believe the BOJ loan program should not be used just to "make up losses" of borrowers who have no repayment capability.

2) Use of public funds is necessary to restore domestic and foreign confidence in the stability of the Japanese financial system, to protect depositors, and to obtain full-scale economic recovery. In particular, the Japanese economy is still in a delicate condition, and restoration of domestic and foreign confidence in the Japanese financial system is needed as soon as possible. Taking these factors into account, the jusen liquidation plan had to be incorporated in the initial draft budget. We carried on serious debates up to the budget compilation deadline, and the plan was put into the draft budget in consideration of the fatal damage that could result from further delay. 3. Question 3 — Is the political settlement not tantamount to "compensating" the agricultural financial institutions? Why is their share only Y530 billion?

1) As mentioned earlier, the decision is aimed at restoring the stability of the Japanese financial system and at obtaining full-scale economic recovery — not at "rescuing" the agricultural financial institutions.

2) In addition to conversations following cabinet meetings, I met twice with the agriculture minister to exchange opinions frankly. This issue involves huge monetary losses, and it was very difficult to reach accord with the agriculture ministry on sharing losses. However, the agricultural minister, aware of the ministry's responsibility as the authority supervising the financial institutions, earnestly sought the maximum amount it could share. The Y530-billion share was determined through his sincere consideration. 4. Question 4 — Have the agricultural financial institutions made any commitment to restructure their business drastically in exchange for a greatly reduced share of losses?

My understanding is that restructuring of the agricultural financial institutions will be promoted by the agricultural ministry; however, the institutions should be aware of their roles in the national and global financial systems and should carry out drastic restructuring. They should seriously discuss organizational and structural reform.

I believe the agricultural financial institutions now have a strong sense of crisis due to the jusen problem. I hope they will seriously deal with restructuring and reorganizing their management based on a sense of crisis. 5. Question 5 — Why have no measures been taken to pursue among agricultural financial institutions the question of their responsibility for management?

The government and the coalition have agreed to let the agricultural financial institutions sponsor low-interest loans for jusen companies in addition to the Y530-billion burden-sharing.

Hereafter, the government will try its best to clarify who is responsible for the problem, in line with the latest accord reached among the coalition parties.

6. Question 6 — Has the political settlement of the jusen issue not, on the contrary, revealed the lack of transparency of the Japanese monetary system? Did the government study legal procedures to prevent lawsuits that might be filed by representatives of stockholders?

We have to acknowledge frankly the criticism of inadequate disclosure of bad debts. In March 1996, the government will reinforce disclosure of information on financial institutions, including small-scale lenders.

The basic scheme of the jusen liquidation will be discussed by concerned financial institutions at the initiative of the government and the ruling coalition.

and the Diet will also be involved through deliberations of related bills and budget proposals. Therefore, we do not think the decision-making process is invisible.

We studied liquidation measures acceptable to stockholders, not prevention of lawsuits. 7. Question 7 — What is the Finance Ministry's responsibility in settling the *jusen* bad loans problem? Does the Finance Ministry agree with the call for restructuring the monetary administration by creating financial inspection authorities independent of the ministry?

1) As mentioned in the question, settlement of the *jusen* issue is not discussed only on the basis of the responsibility of concerned financial institutions. We are now facing criticism for insufficiently controlling real estate speculation and providing inadequate safeguards to prevent failure of financial institutions. We need to clarify and discuss the responsibilities of the administrative branch in connection with economic, social, and political trends during the so-called bubble economy period.

We intend to draw certain conclusions on details of what we should clarify, including the cause and result of the *jusen* problem.

2) The conventional methodology of financial administration has been criticized as the so-called convoy philosophy. Now that liberalization of the financial system has made progress in today's Japan, we should review conventional tools of financial administration, including inspection procedures. Furthermore, it is important for us to build a clear financial system based on the principles of self-discipline and market system.

We would like to make an announcement soon on our perception of the future direction of financial administration and inspection mechanisms. 8. Conclusion

The financial system is the artery of the economy, and bankruptcy of a few financial institutions may endanger the entire financial system through chain reactions. The *jusen* problem is a symbol of the nation's bad debt problems, and it must be settled to ensure the stability of the Japanese financial system.

Settling the *jusen* problem will restore foreign and domestic confidence in the Japanese financial system. It will also restore confidence in Japanese banks and reduce the Japan premium [interest premiums charged by foreign lenders for loans to Japanese banks].

Settling the bad debt problem will strengthen financial institutions' loan-making capability and dispel uncertainties in the Japanese economy. Motivated businessmen and consumers will increase capital investment and consumption. We believe such a measure is indispens-

able to realize continuous expansion of the Japanese economy.

We will carry on our sincere efforts to obtain public understanding of the *jusen* liquidation policy.

Ministers Agree on Need To Collect Debts

OW2612033995 Tokyo KYODO in English
0246 GMT 26 Dec 95

[FBIS Transcribed Text] Tokyo, Dec. 26 KYODO — Cabinet ministers agreed Tuesday [26 December] morning on the need for efforts to collect money owed to crippled housing loan companies which are to be liquidated using public funds.

Justice Minister Hiroshi Miyazawa, Finance Minister Masayoshi Takemura, Farm Minister Hosei Norota, National Public Safety Commission Chairman Takashi Fukaya and Chief Cabinet Secretary Koken Nosaka agreed that the government should do everything possible to collect the companies' loans, Nosaka said.

They also agreed that information about the housing loan problem should be made available to the public, he said.

The ministers held the unofficial meeting in response to public criticism of the government plan endorsed last week to use 685 billion yen from the fiscal 1996 budget to liquidate the companies.

Under Tuesday's agreement, the Finance Ministry, in cooperation with other ministries, will start work on the gathering and disclosure of information on the housing loan problem, and on ways to help the collection of loans, Nosaka said.

The ministers are likely to meet again on the issue later this year or early next year, he added.

Farm Minister Discusses Liquidations' Effect

OW2612070895 Tokyo KYODO in English
0509 GMT 26 Dec 95

[FBIS Transcribed Text] Tokyo, Dec. 26 KYODO — Norinchukin Bank, the core institution for agricultural cooperatives, will plunge into the red in fiscal 1995 in connection with the planned liquidation of housing loan firms, the farm minister said Tuesday [26 December].

Agriculture, Forestry, Fisheries Minister Hosei Norota told a regular cabinet meeting that about 20 financial organs under the Mutual Credit Fund Association of Agricultural Cooperatives will also lose money because of the housing loan firm fiasco.

Financial institutions affiliated to agricultural cooperatives are major creditors of the home mortgage loan

companies, seven of which are to be liquidated under a government scheme.

The government's plan calls for the farm-linked institutions to shoulder only some 530 billion yen of the liquidation losses amounting to 6.41 trillion yen.

The Farm Ministry will study the matter from early next year, Norota said.

In the past three years, 325 billion yen has been furnished to the housing loan companies by the agricultural institutions in the form of cuts in interest payments, Norota said.

The burden of the 530 billion yen would undermine the farm financial institutions' business standing as their internal reserves are extremely small and their profit margins are also small, Norota said.

If they are required to take an additional financial burden, they can not survive, which would create credit turmoil in Japan, he said.

Takemura on Stock Resurgence, Exchange Rate

*OW2712075495 Tokyo KYODO in English
0723 GMT 27 Dec 95*

[FBIS Transcribed Text] Tokyo, Dec. 27 KYODO — Finance Minister Masayoshi Takemura said Wednesday [27 December] he hopes that the recent resurgence of the Japanese stock markets will carry over into 1996.

Commenting on the 225-issue Nikkei stock average's advance above 20,000 on the Tokyo stock exchange earlier in the day, Takemura told reporters that stock prices recovered year-earlier levels.

"I will be happy to see the stock market greet the new year with its current strength," Takemura said.

"The ministry will carefully watch stock market developments so that the market situation will not deteriorate," he said.

On the yen-dollar exchange rate, Takemura said the yen is still in a "reversal process" against the dollar, calling for a further fall in the yen's value against the U.S. currency.

Since there are emerging bright signs in the Japanese economy, the Finance Ministry will do its utmost from the beginning of 1996 so that Japan can attain economic growth of above 2 percent, he said. For fiscal 1996 which starts next April, the government will target real economic growth of 2.5 percent.

Hashimoto Discusses Economic Issues, Bad Debts *OW2612095095*

[FBIS Editorial Report] Tokyo Asahi Television Network in Japanese at 0111 on 24 December, during its "Sunday Project" program, broadcasts a live, 45-minute studio interview with Ryutaro Hashimoto, president of the Liberal Democratic Party (LDP) and international trade and industry minister, by political commentator Soichiro Tahara.

Tahara first seeks Hashimoto's view on the current economic situation. Hashimoto notes that, although it is hard to say the economy has begun to pick up, the groundwork for economic recovery has been laid. Asked whether he has any specific measures to reinvigorate Japanese industries next year, Hashimoto stresses the need to ease tax burdens on private companies and help them promote research and development, saying: "I intend to somehow win approval for a budget to support corporate research and development programs in today's negotiations with the Finance Ministry." Asked to comment on the proposal made by Ichiro Ozawa, secretary general of the opposition New Frontier Party, that income and residential taxes be cut, and that the consumption tax rate be increased from the current 3 percent to 10 percent in 10 years to compensate for the tax cuts, Hashimoto terms the plan not wholesome because it requires issuing more national bonds, causing an increase in national debts.

Next, Hashimoto is asked about the opinion within the LDP that he should resign as international trade and industry minister to concentrate on party affairs. He says: "I am wavering on whether or not I should resign, as the opinion is very strong. But considering the current economic situation, I am not sure resigning is the right choice." Refuting Tahara's view that the LDP has not changed despite the debut of President Hashimoto, Hashimoto says: "I think the party has changed," noting that discussions within the party are now open to news organizations. In answering a question about how long he is going to serve as both trade minister and LDP head, Hashimoto says: "If I am allowed to abandon one of the two posts, I would come to feel at ease. If I am allowed to work only as LDP president, I would be able to act freely."

Tahara next asks Hashimoto about the government scheme to liquidate failed housing loan companies. He says the plan has come under severe public criticism because it calls for an infusion of public funds from the FY96 budget. Hashimoto notes: "The government decided on the plan to stabilize the nation's financial system and prevent the failure of housing loan firms from affecting stock prices and foreign exchange rates.

However, if the government had disclosed enough information in the process of compiling the scheme, people might have considered using public funds inevitable."

'News Focus': Daiwa, Sumitomo Seen 'Waffling'

OW2712015095 Tokyo KYODO in English
0116 GMT 27 Dec 95

[FBIS Transcribed Text] By Mutsuo Fukushima

Tokyo, Dec. 26 KYODO — Waffling by Daiwa and Sumitomo banks on a possible merger after initial euphoric talks on the possibility following a Nov. 2 order by the United States expelling Daiwa from U.S. banking is puzzling financial analysts.

While analysts offer many views on the background to the latest round of fence-sitting, some also point to possibly more worrisome signs of further deterioration of ties between Japan's Finance Ministry and the U.S. Federal Reserve Board.

Sumitomo Bank President Toshio Morikawa said Nov. 3, "If momentum for a merger arises, it is possible... [ellipses as received] When an incident (such as the Daiwa scandal) threatens to affect the entire (Japanese) banking community, it is not a rare move for business companies to cooperate."

Daiwa President Takashi Kaiho said then, "For the time being, there will not be any moves toward a merger, but we can envision sumitomo bank (as a possible merger partner)."

The pair's remarks stirred up considerable speculation on a merger because it is quite rare for bank chiefs to talk openly about a merger before it materializes.

But only three weeks later, Daiwa Vice President Kazuya Sunahara said the two banks "have not reached an agreement so far and we are not holding any talks" on merging.

Then, Sumitomo's Morikawa told a news conference Dec. 11 that "nothing has been decided."

He made the comments a week after U.S. Congressman Bruce Vento, a Democrat from Minnesota, said at a congressional hearing that a merger could pull the teeth from the Fed's order to throw Daiwa out of the U.S.

The order followed revelations of 1.1 billion dollars in losses on U.S. Treasury bond trading by Toshihide Iguchi, a trader at Daiwa's New York branch, and an alleged cover-up of the losses by Iguchi and senior Daiwa managers after Iguchi submitted a written confession of 11 years of unauthorized trades.

Vento told a House of Representatives Banking and Financial Services Committee panel that if Sumitomo

takes over Daiwa's U.S. Operations, Daiwa's U.S. business would remain intact "in every one of the communities that they are now," despite the Fed order for it to leave the U.S.

Mineko Sasaki-Smith, senior economist at Morgan Stanley Japan Ltd., said the Daiwa case has given some congressional critics of Japan the ammunition with which to try to take shots at cooperative relations between the Fed and the Finance Ministry.

The case has strengthened the image among Americans that the Finance Ministry and Japanese institutions in general may be "lax" toward U.S. banking laws, she said.

The case also came at a bad time because critics of Japan see declining U.S. dependence on Japanese institutional investors' money, she said, adding massive net Japanese sell-offs of U.S. Treasury bonds in September and October failed to push up U.S. long-term interest rates, "contrary to some Fed worries."

Finance Ministry statistics show the combined Japanese net sales of U.S. Treasury and other U.S. bonds in the two months totaled 9.4 billion dollars. The sell-offs marked a turnaround from their combined net purchases worth 22.1 billion dollars in the preceding April-August period.

Cash-laden U.S. investors snapped up the high-yielding long-term treasury bonds dumped by Japanese institutional investors, she said.

"The 'Japan premium' has led some Japanese banks to sell (U.S. bonds) to raise dollar funds," said Toshiaki Kanamori, director of the ministry's International Capital Division. The premium is imposed by foreign lenders on Japanese banks, which have piles of bad loans, forcing a hike in their fund-raising costs.

Using these developments as weapons, congressional critics can now demand that the Fed refrain from providing such favors as providing emergency dollar funds to Japanese financial institutions hit by the Japan premium or engineering a weaker yen through market intervention, Sasaki-Smith said.

"Now one may question how far the Fed will be ready to help Japan when Japan needs it," she said.

A Sumitomo spokesman declined to provide the bank's assessment of the congressman's criticism, saying only that no merger agreement is in place.

But he said one of the bank's senior managing directors, Kensuke Hotta, is leading a team of Sumitomo executives as the bank's deputies to a joint project team with Daiwa, where the group is discussing "what assistance

will be needed" to make up for the loss of Daiwa's U.S. operations following the expulsion.

Takatsugu Nato, a professor emeritus at Nihon University, said, "Sumitomo will start examining the quality of the assets and liabilities of Daiwa (as) it has not yet grasped how bad their quality may be."

Nonetheless, Sumitomo appears to be ready to "gamble" on the costs and benefits stemming from a possible marriage with an attractive bride with a privileged license to conduct trust banking, said Masaru Takagi, chief economist at the Fuji Research Institute, an institute affiliated with Fuji Bank.

Sumitomo is aware a merger with Daiwa "could amount to picking the chestnut out of the fire," he said, suggesting Sumitomo could suffer some pain as well as gaining benefit from a tie with Daiwa.

"Judging from the corporate tendency of Sumitomo, it will not go ahead with a merger unless the (Daiwa) trial comes to an end," he said, remarking on the 24-count indictment against Daiwa by the U.S. Justice Department that charges Daiwa's senior management with ordering Iguchi to hide the losses even by a further illegal sell-off of treasury bonds the bank's customers had entrusted with it.

Takagi said Daiwa would do better if it dropped its plan to fight the indictment.

"They should settle the matter quickly by acknowledging their wrongdoings," he said, adding if Daiwa clings to its court battle in the U.S., "it will aggravate the situation and further erode the international financial community's confidence in Japanese financial institutions."

Minister Terms Jobless Rate Increase 'Temporary'
OW2612035495 Tokyo KYODO in English
0303 GMT 26 Dec 95

[FBIS Transcribed Text] Tokyo, Dec. 26 KYODO — Labor Minister Shinji Aoki said Tuesday [26 December] the rise to a record high 3.4 percent in the nation's jobless rate for November is a temporary phenomenon in the current process of economic recovery.

"I have little choice but to take a serious view of the unemployment figure," Aoki said at a press conference after a regular cabinet meeting.

"But the jobless rate tends to rise temporarily in the course of an economic pickup because such recovery encourages some young workers to seek new jobs," he said.

On the job seeker to offer ratio, Aoki said the rise of 0.5 percent in the ratio for the month under review indicates

that the economy is picking up to some extent, although he said the recovery is not strong enough.

Labor Union Urges Meeting

OW2612035595 Tokyo KYODO in English
0314 GMT 26 Dec 95

[FBIS Transcribed Text] Tokyo, Dec. 26 KYODO — Japan's biggest labor union urged the government Tuesday [26 December] to hold a meeting of business and labor union leaders as soon as possible to discuss job-security measures.

The eight million-member Japanese Trade Union Confederation (Rengo) made the call in a statement issued after the Management and Coordination Agency announced that the nation's jobless rate hit a record high 3.4 percent in November.

The organization said the government should make clear at the meeting a policy of putting top priority on securing jobs.

In order to avoid an unemployment crisis in Japan, it is indispensable for the government, corporate management and labor unions to introduce bold steps to secure employment, it said.

Cabinet: Maintain Food Self-Sufficiency Rate
OW2612081595 Tokyo KYODO in English
0441 GMT 26 Dec 95

[FBIS Transcribed Text] Tokyo, Dec. 26 KYODO — The government Tuesday [26 December] unveiled a policy of keeping self-sufficiency rates for food at current levels until fiscal 2005.

The cabinet endorsed the policy, which is intended to stem any further decline in the food self-sufficiency rates, in a long-term prospect on demand and production of agricultural products.

The overall rate should be maintained at 44-46 percent toward fiscal 2005 on a caloric basis compared with 46 percent for fiscal 1992, according to the policy.

The policy calls for the farm sector to expand productivity in the coming decade by stepping up infrastructure improvement programs and technological development.

It also proposed diversification of farm products and cost-cutting efforts by means of large-scale farming.

At Tuesday's press conference, Agriculture, Forestry and Fisheries Minister Hosei Norota said the policy will help stimulate incentives for farmers in the future.

The new prospect said Japan's food self-sufficiency rate would decline to 41-42 percent if the current situation is left unattended.

The policy said the self-sufficiency rate for grain should be maintained at the current level of 28-29 percent.

Rice self-sufficiency target rates in fiscal 2005 are set for 96-97 percent, almost unchanged from the present rate, while targets are fixed at 12-15 percent for wheat and 5 percent for soybean, both up slightly from current levels.

FTC Panel Proposes Antimonopoly Law Amendments

*OW2712091995 Tokyo KYODO in English
0737 GMT 27 Dec 95*

[FBIS Transcribed Text] Tokyo, Dec. 27 KYODO — A study panel under the Fair Trade Commission (FTC) proposed Wednesday [27 December] amending the antimonopoly law to authorize, under certain conditions, the formation of holding companies, while retaining in principle the ban on them.

"It is appropriate to review the ban as long as that does not deviate from its objective of preventing excess concentration of corporate control," the panel said in a report.

The recommendation contrasts with the stance of a deregulation subcommittee of the Administrative Reform Committee, a panel reporting to the prime minister, which called for the general lifting of the ban on holding firms in a report compiled earlier this month.

"There are some places in which opinions differ between the FTC panel, which studies the matter from the standpoint of ensuring fair and free competition, and the reform panel, which sees things in light of deregulation," said Ryuichiro Tachi, chairman of the FTC panel.

In the report, the panel mentioned four types of holding companies which will be exempted from the ban, introduced shortly after World War II to check the resurgence of the "zaibatsu" conglomerates that controlled prewar Japanese business circles.

The study group argues that businesses "of a certain scale or smaller" will not run counter to the objectives of the ban even if they assume the form of holding companies. The FTC will finalize what is specifically meant by "certain scale" in later discussions.

Companies will also be allowed to become holding firms if they choose to spin off all their business divisions and be left only with head office functions because such a move amounts to no more than an organizational change, the panel said.

A third category of holding firms to be authorized will be venture capital companies, which have little to do with the ban on holding firms as they buy stocks for

temporary holding to spur the growth of new ventures and rake in capital gains later, it said.

Currently, venture businesses can invest up to half of their total assets in new stocks. The panel's proposal effectively gets rid of the regulation.

The panel also sees the rationale of letting banks, brokerages and other financial institutions set up holding companies when entering each other's turf in line with the financial system reform law enacted in 1992.

Under the law, banks can enter securities business by setting up subsidiaries, and vice versa. If financial holding companies are authorized, they will be able to do so by forming holding firms overseeing banking and brokerage units.

"Using holding companies for mutual access to financial sectors is considered rational from risk separation and other viewpoints," the panel said.

On concerns over excess concentration of power, the panel said it will not occur if holding companies and their group firms are subject to article 11 of the antimonopoly law barring financiers from holding a stake of more than 5 percent in other companies.

These holding companies are likely to help invigorate competition among companies because the system allows firms such options as venturing into new businesses and consolidating existing ones, the panel said.

The four categories, however, do not represent the only form of authorized holding companies. "The report does not conclude that holding companies outside the types should be prohibited," Tachi said, asking the FTC to study other cases if they do not lead to excess concentration.

The report urges the FTC to examine whether conditions are met in each individual case by requiring companies to seek official approval when setting up or transforming themselves into holding companies.

The FTC should also monitor whether authorized holding companies have changed their nature, through follow-up reports and other means because "they could concentrate economic might by taking over or gaining stakes in other companies," Tachi said.

To protect investors' interests and prevent unfair disadvantage from being inflicted on business partners, group members under the aegis of a holding company should regularly file reports with the FTC, which should then summarize and publicize them, the panel said.

Based on the report, the FTC will prepare a bill to make relevant amendments to the antimonopoly law and is expected to submit it to the Diet early next year.

Bankers 'Express Regret'

OW2712134795 Tokyo KYODO in English
1042 GMT 27 Dec 95

[FBIS Transcribed Text] Tokyo, Dec. 27 KYODO — Japan's banking industry expressed regret Wednesday [27 December] over a proposal for a conditional ban on holding companies made by a study panel of the government's fair trade watchdog.

"It is regrettable that the proposal was made along the lines of maintaining the ban in principle," said a statement issued by the Federation of Bankers Associations of Japan.

The panel of the Fair Trade Commission made the proposal in a report released Wednesday and said, "It is appropriate to review the ban as long as that does not deviate from its objective of preventing excessive concentration of corporate control."

The federation said it will continue to seek the removal of restrictions on holding companies in order for the financial industry to deal with deregulation and reorganization.

Panel Urges Compensation to NTT Shareholders

OW2712102795 Tokyo KYODO in English
0943 GMT 27 Dec 95

[FBIS Transcribed Text] Tokyo, Dec. 27 KYODO — An advisory panel recommended Wednesday [27 December] that the government enact a special law on compensatory measures for the shareholders of Nippon Telegraph and Telephone Corp. (NTT) in breaking up the domestic telecom giant.

A subcommittee of the telecommunications council said in an interim report that the government should allow NTT to issue shares of the companies to be created as a result of splitting up NTT and give the new shares to the current holders of its stock at a ratio of 1 for 1.

NTT closed Wednesday's trading at 845,000 yen per share. Its face value stands at 50,000 yen.

The panel proposed that the new shares to be floated by the NTT offspring companies should not carry any face value.

The panel also proposed that the government give a tax break to the new companies when the current huge unrealized gains on the vast landholdings of NTT are realized as a result of the proposed handover of the land assets to the new companies.

These recommendations are based on the assumption that a part of the current group of NTT and its affiliates will remain as they are even after the breakup, while

the remainder of the group will be reorganized into the offspring companies.

The flotation of new shares of the offspring companies and the listing of the new companies on stock exchanges should be done simultaneously to ensure that the interests of NTT shareholders are protected, the panel said.

The start of the business operations of the new NTT offspring companies should also be timed to coincide with their share flotation and listings, it said.

To do so, the current qualification requirements imposed by the nation's stock exchanges for listing should be relaxed as a special measure, it said.

These requirements concern such factors as the passing of a certain time after the founding of a company and the size of a company's net assets per share. The Tokyo stock exchange requires that at least five years elapse from the founding of a company before it can be listed.

Ministry Says Import Prices Bottoming Out

OW2712133895 Tokyo KYODO in English
1030 GMT 27 Dec 95

[FBIS Transcribed Text] Tokyo, Dec. 27 KYODO — The recent trend toward declining prices of imported goods seems to be subsiding in a reflection of the stabilization of the yen's exchange rate against the U.S. dollar since September, the Finance Ministry said Wednesday [27 December].

Based on its November survey of customs-cleared import prices of 50 daily items, the ministry said that prices fell on 16 of them.

It is the third consecutive month that items declining in prices numbered fewer than 20. From February to August, the number topped 30 every month, the ministry said.

In November, prices of salmon caught in the Pacific Ocean were down 54.1 percent from a year earlier and cod roe down 38 percent, reflecting good catches.

Prices of color photographic film also dropped 24.1 percent as a result of active supplies by German makers, while those for coffee declined 20.8 percent as prices slipped recently on the world market.

On the other hand, wine prices rose 30.7 percent, partly because products imported during the month tended to be of higher-quality and more expensive in prices than before. It was the third consecutive month that import wine prices surged by more than 20 percent.

Among other items whose import prices increased were cosmetic lotion, up 78.1 percent, tea, up 18.2 percent, and whiskey, up 13.1 percent, the ministry said.

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Among other items whose import prices increased were cosmetic lotion, up 78.1 percent, tea, up 18.2 percent, and whiskey, up 13.1 percent, the ministry said.

Survey Shows Increase in Household Spending

OW2712090295 Tokyo KYODO in English
0809 GMT 27 Dec 95

[FBIS Transcribed Text] Tokyo, Dec. 27 KYODO — Japan's monthly household spending last year averaged 344,066 yen, up an inflation-adjusted 2.5 percent from five years before for an annual growth rate of a mere 0.5 percent over the period, a government report showed Wednesday [27 December].

The survey, taken every five years, said the increase rate compared with the real growth rates of 9.8 percent five years before and 0.2 percent 10 years before, the Management and Coordination Agency said.

"Miscellaneous" spending, including social expenses, was highest at 92,449 yen, accounting for 26.9 percent of the total, closely followed by expenditures on food which took a 24.5 percent share at 84,215 yen.

Spending on transport and communications came third with a 10.6 percent share at 36,462 yen, followed by culture and leisure expenses with a 9.2 percent share at 31,696 yen.

Compared with 1989, the share of miscellaneous spending rose 1.0 percentage point, while spending on food declined 2.0 points, the report said.

The share of spending on housing increased 0.7 point to 5.4 percent and that of education expenses gained 0.5 point to 5.3 percent, it said.

Average household savings increased to 13.63 million yen, about 1.7 times the average annual income at 7.88 million yen, it said.

Savings averaged 10.92 million yen five years before.

By type of savings, the share of time deposits in the total rose 5.6 percentage points from five years before to 47.6 percent, while stock investments fell a sharp 7.6 points to an 8.2 percent share due to the collapse of the "bubble economy" in the late 1980s, the report said.

On the other hand, the average amount of debts held by household amounted to 4.87 million yen.

Pretax monthly income for each worker household rose a real 9.1 percent to an average 536,141 yen during the five-year period, down from the 13.1 percent growth in the previous survey for 1989, with monthly spending of such households amounting to 356,659 yen, up 2.9 percent.

The head of the household earned 74.8 percent of total income, down from 77.3 percent in the previous survey, while income earned by the spouse rose 1.2 percentage points to 10.4 percent, exceeding 10 percent for the first

time since the government started the survey in 1959, the report said.

The survey was conducted in the three months from September to November last year, covering 59,794 families, including single-person households across the nation.

BOJ To Give Subordinated Loan To Midori Bank

OW2712133995 Tokyo KYODO in English
1224 GMT 27 Dec 95

[FBIS Transcribed Text] Osaka, Dec. 27 KYODO — The Bank of Japan plans to provide a 100 billion yen subordinated loan to Midori Bank, which will take over the assets and liabilities of the collapsed Hyogo Bank, the head of the Osaka branch of the central bank said Wednesday [27 December].

Tadayo Homma told a news conference the central bank "has long had a plan to provide a loan to make up for the (new bank's) shortage" of capital.

Subordinated loans are junior in claim on assets to other debts, or repayable only after other debts are settled.

Homma also suggested that the central bank will provide the loan in late January, when the new bank will take over operations from the collapsed Hyogo Bank. Hyogo Bank essentially went bust Aug. 30 under enormous nonperforming loans to property developers.

The founders of the projected Midori Bank have been soliciting capital from various business interests in exchange for an equity stake in the new bank.

However, it has succeeded in collecting only some 70 billion yen toward its start-up net worth — 10 billion yen short of its goal of 80 billion yen.

This means that Midori's liabilities and losses stemming from uncollectable loans are still expected to exceed its net worth by 100 billion yen when it starts operations next month, informed sources said.

As a result, the central bank will make up for the entire estimated capital shortage by providing a 100 billion yen subordinated loan, the sources said.

Homma defended the decision to provide public funds to Midori Bank, saying the new bank will play a "central role in helping reconstruct" Kobe and its vicinity, which were ravaged by the Jan. 17 great Hanshin earthquake.

He suggested the possibility of further public intervention in the disposal of bad loans at the collapsed Kizu Credit Union and Osaka Credit Union.

Financial authorities are currently consolidating concrete disposal plans, he said.

The task of compiling "everything (in the disposal programs) will continue next year," he said.

Penalties Reduce Undocumented Corporate Spending

OW2712135695 Tokyo KYODO in English
1259 GMT 27 Dec 95

[FBIS Transcribed Text] Tokyo, Dec. 27 KYODO — Newly introduced penalty taxes helped slash undocumented spending by major companies in the year to June 1995 to 34.2 billion yen, down 35.5 percent from the previous year, the National Tax Administration Agency said Wednesday [27 December].

The agency investigated 4,759 companies capitalized at 100 million yen or more that closed their books between February 1994 and January 1995, scrutinizing cases where firms failed to disclose payees.

Of the total, 435 companies were found to have engaged in undocumented spending, agency officials said.

In April last year the Finance Ministry introduced a new additional levy of 40 percent on top of corporate taxes on undocumented spending in cases where the agency judges firms to have intentionally concealed payees without justification.

Of the 34.2 billion yen, 27 billion yen or 78.9 percent involved cases where firms reported to tax authorities without specifying payees.

The remaining 7.2 billion yen consisted of funds hidden through accounting manipulations.

Construction companies topped the list of businesses with undocumented outlays, accounting for 26.1 billion yen or about 76.3 percent of all shadowy expenses, the officials said.

Construction businesses were followed by manufacturers, including medicine makers, wholesalers and retailers.

Taxation authorities were unable to discover the actual use of about 75 percent of the shady corporate expenditures during the year, the officials said.

Of the remaining 25 percent of the spending that tax authorities were able to trace, a record low 600 million yen was used as political donations, down 76.9 percent from the previous year.

Another 4 billion yen was found to have been paid to cover entertainment, down 45.9 percent, 3.3 billion yen was shelled out for commissions, and 1.2 billion yen was used as expenses for shareholders' meetings and labor policy.

MITI To Wait To Revise Retail Stores Law

OW2712135795 Tokyo KYODO in English
1118 GMT 27 Dec 95

[FBIS Transcribed Text] Tokyo, Dec. 27 KYODO — The Ministry of International Trade and Industry (MITI) said Wednesday [27 December] it will seek to simplify paperwork under the large-scale retail stores law in fiscal 1996, but reiterated its stance of waiting until fiscal 1997 for radical reform of the law.

The ministry released a draft package of 80 deregulatory proposals for the upcoming revision of the government's 1,091-item deregulatory program at the end of March 1996.

On the law restricting the opening and operations of large retailers, MITI proposed only minor review in line with a report filed earlier this month by the deregulation subcommittee of the administrative reform committee, which reports to the prime minister.

The deregulation panel only said "further deregulation steps should be taken when the law comes under review in fiscal 1997," without specifying what the steps are.

The United States urged Japan in November to repeal the law by the turn of the century. The European union is also calling for lifting the law.

Among other proposals, the ministry said it will improve access to the market for liquefied natural gas sales, allowing newcomers to enter the business simply by registering with the government instead of seeking official approval, as they have to do at present.

MITI also said it will empower high-pressured gas engineers to conduct regular checkups of their equipment by themselves in accordance with their maintenance expertise. Currently, only public-sector institutions can do the job.

The ministry expects to take these steps next fiscal year beginning next April, according to the package.

The draft package classifies 413 requests filed by 144 business lobby groups, industry groups, foreign governments and other parties according to the possibility of implementing them, indicating whether any action is being considered.

MITI intends to add 20 deregulatory items of its own to the package to propose a total of 100 items for the revised deregulatory program. It will solicit opinions from interested groups at home and abroad about the proposal, the ministry said.

Bad Loans to Borrowers Grow 3d Straight Year*OW2712151095 Tokyo KYODO in English
1106 GMT 27 Dec 95*

[FBIS Transcribed Text] Tokyo, Dec. 27 KYODO — Aggregate outstanding bad loans to bankrupt borrowers extended by Japan's 149 banks shot up 20.1 percent from six months before to 4,491.3 billion yen in their midterm book-closings for the April-September first half, an industry body said Wednesday [27 December].

The Federation of Bankers Associations of Japan said the figure represented the third annual consecutive increase in the aggregate figure.

Another category of nonperforming loans — credits whose interest payments have been in arrears for six months or longer — sagged 2.5 percent from six months earlier to 8,930.0 billion yen at Japan's 21 major commercial banks, the association said.

This figure does not include bad loans extended by regional banks and second-tier regional banks. The 21 comprise 11 major commercial banks known as "city banks," seven trust banks and three long-term credit banks.

Starting next March, the 21 banks are obligated to release the amounts of their "restructured loans" — a third category of bad loans whose interest rates were restructured to levels below the official discount rate then prevailing.

The loans subject to the new disclosure requirement include those to seven housing loan companies the Finance Ministry decided to liquidate under a scheme costing the 21 banks trillions of yen in waived claims to bad loans.

An association official said, "Most of the 21 banks are determined to completely write off their bad loans to the housing lenders when they close their books next March, so these banks may then be over the hump in terms of writing off their overall bad loans by the end of next year."

Net operating profits at the 149 banks — profits stemming from banks' core business-related revenues such as lending, bond dealing and commissions — rocketed 52.7 percent to a record 3.43 trillion yen, the association said.

It traced the historic profit performance to the Bank of Japan's extremely accommodating credit policy, which held down interest rates and thereby the fund-raising costs of financial institutions.

The banks stepped up their efforts to write off bad loans on the strength of improved net operating profits in their midterm book-closings.

As a result, the average year-on-year growth rate in their pretax profit was slower than that of their net operating profit. Their aggregate pretax profit came to 1.084 trillion yen, up 37.4 percent, the association said.

Breaking down the bad loan aggregate to bankrupt borrowers, the 11 city banks are saddled with the biggest chunk, some 2.068 trillion yen, followed by regional banks with 900.2 billion yen and three long-term credit banks with 562.4 billion yen, it said.

Second-tier regional banks ranked fourth with 551.7 billion yen, followed by trust banks with 408.6 billion yen.

Revised Report Published on Monju Reactor Leak*OW2612083295 Tokyo KYODO in English
0651 GMT 26 Dec 95*

[FBIS Transcribed Text] Tsuruga, Japan, Dec. 26 KYODO — The Science and Technology Agency on Tuesday [26 December] published a revised report on a coolant leak at the prototype fast-breeder nuclear reactor Monju after the first report submitted by its operator turned out to have been falsified.

The revised report was submitted to the agency Monday by the operator, the governmental Power Reactor and Nuclear Fuel Development Corp. (Donen). It contains corrections on the first report submitted last week.

The revised report says the time at which the first inspection at the accident site was made was 2 A.M. Dec. 9, instead of 10 A.M. on the day as reported previously.

The new report also includes detailed chronological records on contacts between Donen and the local and central governments since immediately after the accident in Tsuruga, Fukui Prefecture, on the Sea of Japan coast.

Meanwhile, Donen on Tuesday dismissed another senior official in charge of the controversial nuclear plant over the cover-up attempt to conceal the extent of the sodium leak that forced the shutdown of the plant Dec. 8.

Donen, which has been accused of editing and withholding videos taken inside the plant shortly after the accident, said Tadao Takahashi, a director in charge of Monju operations, will be replaced by Atsuhiko Kishida.

The corporation dismissed three officials last weekend over the issue — Yasuhito Omori, who headed construction works at the Monju plant, his deputy Isao Sato and Futoshi Maeda, a section chief.

At the Monju plant, a specially established working group of the government's Nuclear Safety Commission launched a probe into the accident Tuesday.

The group has been set up to clarify the causes of the accident and recommend steps for the prevention of a recurrence.

The group will conduct a separate investigation, independent of the Science and Technology Agency's inspection team.

Meanwhile, the Tsuruga Municipal Assembly handed agency chief Yasuoki Urano a statement saying that the city will not allow the reactor to be restarted until after it is convinced of its safety.

MITI To Develop Enciphering Technology

OW2612084495 Tokyo KYODO in English
0815 GMT 26 Dec 95

[FBIS Transcribed Text] Tokyo, Dec. 26 KYODO — The Ministry of International Trade and Industry said Tuesday [26 December] it will develop sophisticated enciphering technology to meet the requirements of an advanced information age.

Research and development institutions affiliated with universities and enterprises will be commissioned to undertake five different projects over a two-year period starting Jan. 1, ministry officials said.

Cryptographic technologies exclusively for Japanese use are required to protect private data from plagiarism, they said.

They said sophisticated coding technology is necessary for the settlement of transactions via electronic devices.

The five projects were selected from among 47 candidates proposed to the ministry this summer, the officials said.

ABWR Project To Receive 9.9 Billion Yen

OW2612162495 Tokyo ASAHI SHIMBUN
in Japanese 26 Dec 95 Morning Edition p 11

[FBIS Translated Text] It was decided on 25 December that 9.9 billion yen will be allocated in the FY96 budget toward a project to develop ABWR [advanced boiling water reactor] technology to replace "advanced thermal reactors (ATR)," a type of nuclear reactor that Japan has been developing on its own. The Electric Power Development Co., Ltd. [EPD], which is in charge of constructing ATR's, has been proceeding with a plan to replace the ATR's with ABWR's because a plan to construct a demonstration ATR was abandoned.

The 9.9 billion yen to be allocated in the next fiscal budget includes additional compensation for the fishing

industry in Oma-cho, Aomori Prefecture, and funding for local development projects. Since the government has approved 1.7 billion yen for technical development expenses, the EPD plans to ask the government to have this amount presented as aid to the Tokyo Electric Co., Ltd. and eight other electric power companies.

ABWR's have an output of 1.383 million kilowatts. Construction of the reactors will begin in FY99, and it is hoped that they will become operational in FY2004.

NEC Develops Voice Information System

OW2612042495 Tokyo KYODO in English
0337 GMT 26 Dec 95

[FBIS Transcribed Text] Tokyo, Dec. 26 KYODO — NEC Corp. has developed a new voice information system that uses flash memory microchips and can record up to four hours of voice data, a company official said Tuesday [26 December].

With the new system, voice data is compressed from 64 kilobits per second to 16 kilobits and transformed into digital data, the official said.

The compressed data is recorded on a 32-megabit flash memory chip installed in "Chip Whisper," a business card-size device newly developed by NEC, the official said.

A flash memory chip, an electrically erasable programmable read-only memory, is able to record 30 minutes of voice data, he said. Because they retain data even when the power is turned off, they are popular for portable products such as notebook personal computers.

NEC will preview Chip Whisper at a Tokyo art gallery in January, and visitors will be able to use the system to hear recorded explanations about the works on display via an earphone.

Some galleries previously used frequency modulation (FM) broadcasting or dynamic random access memory (DRAM) chips, but the NEC system is more practical because it does not require broadcasting equipment and can convert data more easily than a DRAM system, the official said.

Chip Whisper can contain up to eight flash memory chips, which would allow for recording of up to four hours of voice data. NEC is considering marketing the new system for such purposes as foreign language learning, the official said.

Kansai Businessmen To Help Pay Airport Costs*OW2712045195 Tokyo KYODO in English
0359 GMT 27 Dec 95*

[FBIS Transcribed Text] Osaka, Dec. 27 KYODO — The business community in the Kansai area, western Japan, decided Wednesday [27 December] to accept a request from the government to shoulder a 42 billion yen share of the cost of expanding Kansai International Airport.

The decision was made at a meeting of top leaders of five economic groups in the western Japan area, including the Kansai Economic Federation and the Osaka Chamber of Commerce and Industry.

Under its fiscal 1996 budget plan, the government will start building a second runway at the airport, which was opened in September 1994 on a man-made island off Osaka.

The government had requested the private sector to shoulder 42 billion yen, or 10 percent, of the 420 billion yen earmarked in the budget for building airport facilities in the runway construction project.

All of the land-reclamation costs will be financed by the public sector.

Sony Model of Reorganization Viewed*952A0809A Tokyo SHUKAN TOYO KEIZAI
in Japanese 9 Sep 95 pp 72-75*

[Article by journalist Takeo Imori: "For Now Sony Will Handle Restructuring by Internal Division into Companies"]

[FBIS Translated Text] "Because of changes in economic conditions, the system of laws concerning corporations should also change. I was very disappointed that, in this time of fierce change, they will reach a conclusion within 3 years."

Sony managing director Tsunoo Sano did not conceal his dissatisfaction with the leisurely content of the cabinet decision at the end of March 1995 on a Ministry of International Trade and Industry request that lifting of the ban controlling holding-companies be specified in the 5-year plan for relaxation of regulations.

Sony is trying to survive dizzying changes in the operating environment and increasingly fierce international competition by dividing diverse business fields, from home appliances and audio and visual equipment to such components as semiconductors and batteries, and entertainment such as music and movies, into companies, and activating management by transferring broad authority to each.

To Sony, the "company system," which became a pronoun for internal-division into companies, is also only a form for the transitional period until the ban on pure holding companies is lifted, and full-fledged division into companies becomes possible.

Nevertheless, "a conclusion within 3 years" means that the gap in perception between business and politics-administration is too great.

Beside Sony, electric-machine makers such as Toshiba Corporation, Hitachi, Ltd., Pioneer Electronic Company, Mitsubishi Chemical, which was born by a merger of Mitsubishi Chemical Industries, Ltd. and Mitsubishi Petrochemical Co., Ltd., and even the trading company, Sumitomo Corporation, large enterprises which represent Japan, have embarked on internal division into companies, which is possible even under the current system, as though unable to wait for lifting of the ban on holding companies.

Sony's Company System

Sony's company system is made up of eight companies led by a consumer audio-visual equipment company (such home electric appliances and audio-visual equipment as television sets, video equipment and sound) with sales of approximately Y1.5 trillion. With persons of the vice-president, managing-director class as presidents, each company has consistent responsibility from development to production and sales for the business field over which it has charge.

Sony thinks that business is more activated, and management and new business are easier to foster, when one transfers authority to each company and entrusts it with operations. Sony's thinking is also clear concerning the wage-system: "It is natural that there be a difference fitted to the circumstances of each company, such as business results, that way incentives operate. Treating all exactly the same would be unfair," (Managing Director Sano).

Furthermore, under its former division-system Sony was assessing the business results of every division headquarters by a profit and loss statement, that is the profit or loss for the period, but under the company system, companies have internal capital as in the division-system of rival Matsushita Electric Industrial Co., Ltd. or the factory-independent-profit system of rival Hitachi, so it will assess business results from both a statement of profit and loss and a balance sheet. It is, so to speak, the currently-fashionable management style which lays stress on ROE [expansion unknown].

In addition to such financial activities as raising capital, the roles of the main-office departments in the company

system, and of the holding company after dividing into companies, will be coordination in order to avoid duplication of research and development, and deciding on strategic investment.

If the environment is prepared, such as lifting the ban on holding companies, Sony will probably divide each company into units in both name and reality.

The End of the Founder's Era

At the beginning of 1994 (then) President Norio Oga, who announced the shift to a company system, said: "(then) Chairman Akio Morita died, so the matter progressed rapidly."

But former chairman Morita, even in Keidanren, campaigned for lifting the ban on holding companies. There must have been suitable circumstances for saying that Sony hastened introduction of the company system because former president Morita died.

When persons who founded businesses after World War II, such as Morita when he was actively working, and Chairman and President Isamu Nakauchi of The Daiichi, Inc. talk about lifting the ban on holding companies, they must have in mind leaving management authority to their sons, and measures against inheritance tax. The scale of business is different, but this area is no different from a shop run by the owner.

But the situation changed greatly because of Morita's death, and, moreover, the appointment of Oga to chairman and the advent of President Nobuyuki Idei, who calls himself "the first president who started out as a mere clerk."

That is, for Sony, too, the era of a charismatic founder has ended, and in the same manner as other large companies, it is becoming a time of salaried managers. Sony, which has sales on a scale of approximately ¥4 trillion on a consolidated base, of which more than 60 percent is sold overseas, is driven by the necessity of shifting to management which is supported by organizational strength. This is probably one reason that Sony hastened introduction of the company system.

The Situation of the Rivals

Sony's greatest rival, Matsushita Electric, has for some time adopted its own system of internal division into companies, which is called the division system. Subsidiary companies and divisions within the company have responsibility for product development and manufacturing, and it concentrated management and sales in Matsushita Electric itself. The source of the power of Matsushita's division system was the competitive principle which was introduced even between divisions,

such as the fact of the two companies Matsushita Communication Industrial Co., Ltd. and Kyushu Matsushita Electric Co., Ltd. trying their hand at the PHS [personal handy-phone system] which is now much talked about.

Matsushita Electric, too, which takes the division system which is its representative internal division into companies, is now trying to reenergize the division system under President Yoichi Morishita in order for Matsushita to stage a strong revival. But up to now it has not shown a clear attitude concerning lifting the ban on holding companies.

Even when its opinion regarding special companies was sought by the Fair Trade Commission, it declined on the grounds of insufficient research.

Hitachi and Toshiba, which are general manufacturers of electric machinery, are also adopting a system of internal into companies, but they are not positive toward full-fledged company-division using holding companies.

There was not much talk when Toshiba introduced the "division group system," which is internal division into companies for all practical purposes, but that was October 1993, 6 months before Sony's company system.

Hitachi, too, from the latter half of the 1980's was pushing forward with a shift from a system of factory-independent-profit to a division system in business fields other than heavy electric equipment, but on 21 February 1995, 1 month after the Hitachi Home Electric Appliance merger, it introduced a business-group system which brought unified manufacture and sales into view.

By such things as leaving the system of factory-independent-profit in the heavy electric machinery field and changing such mass-production related business as home electric appliances to division leadership, this business-group system of Hitachi's is internal division into companies which gave individuality to each business in accordance with its situation. Heavy electric equipment, the kind of stable business in which one can see ahead five or 10 years and one deals one on one with customers for such things as electricity generating plants, home electric appliances, audio-visual equipment and personal computers, in which one deals with an unspecified large number of persons whose faces cannot be seen, and the semiconductor department, in which one makes one-shot big investments by which one will succeed or fail, have each come to have completely different cultures, even within the same company. An internal division into companies which respects the individuality of each business was a natural choice for a general manufacturer of electric machinery.

Hitachi has a history of separating, and making independent, businesses other than electric machinery, such as Hitachi Construction Machinery Co., Ltd., Hitachi Chemical Co., Ltd. and Hitachi Metals, Ltd. But Hitachi President Tsutomu Kanai and Toshiba President Fumio Sato both deny the possibility of dividing such businesses as semiconductors, computers and heavy electric machinery, which now have become the core.

In Hitachi and Toshiba, which are general manufacturers of electric machinery, electronics after the oil shocks, and heavy electric machinery and the broad range of its business fields at the time of the high-tech slump of 1992-93, propped up revenue in a mutually complementary manner. It is not only the revenue side; they have also adjusted employment within the company by shifting personnel from businesses with a small volume of work to businesses which were healthy. Recently, the semiconductor department, which is in peak condition, is absorbing surplus personnel from home electric appliances and heavy electric machinery.

To general manufacturers of electric machinery, which have stabilized operation by making the best use of having a wide range of business fields, division into companies is a "double-edged sword" which has a possibility of making operation unstable, at the same time that they can try to activate by giving individuality to each business field. It seems likely that in order for Hitachi and Toshiba to venture from the business-group system to a full-fledged division into companies, the main points will be, not only lifting of the ban on holding companies, but whether mobility of employment will also advance in Japan.

One of the Management Options

Sony Managing Director Sano says: "In order to make the conditions of competition equal to those of U.S. companies, we should not only lift the ban on pure holding companies, such systems as the consolidated payment of taxes and the buying of one's own stock, which are recognized in Europe and America, should be recognized in Japan, too."

Making systems and conditions equal is a big precondition for competition. Because of frequent increases in the strength of the yen, the cost competitiveness of Japanese companies has declined greatly, beginning with personnel costs. Sony, which is exposed to international competition, states that it wishes to have the options which constitute preconditions for competition be made the same as for European and American companies.

Keidanren and the Japanese Association of Corporate Executives also list international harmonization of the

system of laws dealing with companies as one of the reasons for seeking a lifting of the ban on holding companies. Sony, which seeks a lifting of the ban on pure holding companies, and Keidanren and the Japanese Association of Corporate Executives are in step.

However, Sony is the only one among major manufacturers of electric machinery which has made its attitude clear on the system of internal division of companies. One cannot deny a sense of a fighting without support.

North Korea

U.S. Senator 'Babbling' About Nuclear Issue

SK2912053395 *Pyongyang Korean Central Broadcasting Network in Korean*
1222 GMT 28 Dec 95

[Commentary by Kim Ho-sam: "Do They Speak With Sense?"]

[FBIS Translated Text] Phil Gramm, a U.S. Republican Party senator, has been persistently babbling about our nuclear development of some kind. According to a report, while babbling about military threat by the North, he recently made a provocative violent remark by saying that he supports the use of military strength for carrying out a preemptive strike to check North Korea's nuclear development.

He made such bellicose remarks twice within just several days. These are indeed the words and behavior of one who has lost reason and are very unbecoming for a senator of such a high position who discusses the country's political affairs.

We cannot but ask what the true intention of Phil Gramm is in making such bellicose remarks not once but twice, at a time when the light-water reactor supply agreement was recently concluded between our Republic and the U.S.-led Korean Peninsula Energy Development Organization. Attention must also be paid to the fact that he will run for the next U.S. presidency.

In this regard, we cannot view that his remark is only his own personal opinion. This will clearly speak for the Republican senators in the U.S. Senate. This is the time when practical measures are being actually carried out to resolve the nuclear issue on the Korean peninsula in a fundamental way.

How can we view that such a remark, which is directly challenging this, was made with sense? For Phil Gramm to babble that we are carrying out nuclear development is a remark which can be made only by the U.S. warmongers who have become accustomed to reversing black and white.

In accordance with the 21 October 1994 DPRK-U.S. agreed framework, we have frozen the graphite moderated reactor for over a year even by suffering a great amount of economic loss. This is well known by the U.S. Administration and senators. The International Atomic Energy Agency also recognizes this matter.

Frankly, when many people were worried about the prospect of the principle of simultaneous action as presented in the DPRK-U.S. agreed framework because the U.S. side, which is our counterpart for dialogue, did not consistently promote this, was seriously delayed and shaken, we did not resume nuclear activities, and have continued to freeze it. This was an expression of our principled, consistent, and peace-loving position to fundamentally and completely resolve the nuclear issue on the Korean peninsula in whatever way. There has been no change in our position even now. Therefore, the light-water reactor supply agreement was recently concluded in New York after long discussions.

Nevertheless, at a time when the light-water reactor issue is being resolved step by step, Phil Gramm talked about our nonexistent nuclear development and even babbled about the use of [words indistinct]. This is indeed an eccentric brazen-faced act. Moreover, what we must put importance to is the fact that he made such a remark when these days the U.S. bellicose class are spreading rumors of threat from the North and are strengthening provocative military maneuvers.

As was reported, on 21 December in Washington, U.S. Secretary of State Christopher babbled that the United States is prepared to deal with any provocative attempt by North Korea, and on 20 December, U.S. Secretary of Defense Perry said that the United States put North Korea high on its watch list of countries to observe and is closely watching North Korea. On 19 December, Gary Luck, commander in chief of the U.S. Forces stationed in South Korea, inspected the puppet army's foremost front units of the Military Demarcation Line, and the U.S. Pacific Command revealed that sometime in January of next year it will dispatch an aircraft carrier combat unit including the ship Independence, and a nuclear-powered submarine, near the waters of the Korean peninsula.

When relating such remarks and moves by the secretaries of the U.S. State Department, the Defense Department, and the commander in chief of the U.S. Forces stationed in South Korea, we can guess Phil Gramm's intention for making such a remark. Clearly, he would have made a calculation that this is to exercise the Senate's influence in the current U.S. Administration to win popularity in the next presidential elections through the policy to crush us militarily which is of concern, so that

this can lead to suppressing our Republic with strength without fail. If the United States assumes such a confrontational attitude, the situation on the Korean peninsula will lead to a tense one, and therefore, the situation in this region will emerge into a new grave stage. This is a clear fact as if seeing a fire.

If the United States moves toward this road of military confrontation without fail, our expectation for relations of trust with the United States will change anyway, and ultimately these relations will be broken. If this is the case, a situation in which confrontation will be faced with confrontation will be inevitably created.

As we have elucidated on many occasions, the consistent position of our Republic is to answer dialogue with dialogue and war with war. We treasure peace, but will by no means beg for it to the United States. Trying to harm us under the pretext of the nonexistent nuclear development is an anachronistic rash act of a reckless person.

Only destruction will come to those who try to provoke even a small amount of our sacred territory, territorial air, and territorial waters. The U.S. bellicose class must correctly acknowledge this.

Commentary on 'Warmaniac' U.S. Senator Gramm
SK2912034095 Pyongyang KCNA in English
0322 GMT 29 Dec 95

[“Gramm Must Not Act Rashly” — KCNA headline]

[FBIS Transcribed Text] Pyongyang, December 29 (KCNA) — U.S. Senator Phil Gramm, who is running for the next presidential election, called twice for “use of military strength” to check “nuclear development” of the DPRK.

Commenting on this, NODONG SINMUN today brands him as a very foolish warmaniac who is running wild without minding his p's and q's.

The analyst goes on:

He seems to think everything can be settled by strength. But strength does not work on us.

We have since long frozen nuclear activities. How and where can we develop nuclear arms? As Gramm evidently dislikes the implementation of the DPRK-U.S. agreed framework, he is trying to put a spoke in the wheel of the solution to the nuclear issue on the Korean Peninsula.

His call for “use of military strength” is of big danger. “Threat from North Korea” is being persistently propagandised in the United States. Gramm's outcries add

fuel to this. No one can predict what the U.S. conservative hardliners would do at the instigation by such a bellicose element as Gramm. That is why we cannot remain an onlooker to the developments.

If Gramm intended to improve his image with that sophism on the threshold of the presidential election, he must be described as poor.

Gramm must not act rashly.

U.S. 27 Dec 'Aerial Espionage' Denounced

*SK2912032795 Pyongyang KCNA in English
0312 GMT 29 Dec 95*

["Aerial Espionage on More Than 2,650 Occasions" — KCNA headline]

[FBIS Transcribed Text] Pyongyang, December 29 (KCNA) — The U.S. imperialist warmongers committed aerial espionage on the northern half of Korea with the intensive mobilisation of reconnaissance planes of various missions based in the Pacific region, Japan and South Korea this year, military sources said.

On the 27th of December, U-2 high-altitude strategic reconnaissance plane committed photographing and electronic espionage on the northern half of Korea as a whole, flying in the sky above the areas along the Military Demarcation Line from Tokjok islet in the West Sea of Korea to Sokcho on the East Sea of Korea for a long while. The espionage by the spy plane numbered 31 in this month, and more than 380 as of December 27 this year.

This year RC-135 strategic reconnaissance plane committed espionage on 40 occasions, E-3 AWACS [airborne warning and control system] some 80 occasions and P-3 patrol plane about 70 occasions.

The aerial espionage by the U.S. imperialists totaled more than 2,650 as of December 27.

All this is a clear indication that the U.S. imperialists set themselves against the relaxation of tensions on the Korean peninsula and its peaceful reunification.

Overseas Groups View U.S. 'Occupation' of ROK

*SK2912083295 Pyongyang KCNA in English
0827 GMT 29 Dec 95*

["U.S. Military Occupation of S. Korea Under Fire" — KCNA headline]

[FBIS Transcribed Text] Pyongyang, December 29 (KCNA) — Foreign public organisations condemn the U.S. military occupation of South Korea.

The Zimbabwe Association of Democratic Jurists in a statement held that as the Cold War has ended

and the world is moving toward peace and detente, there is no reason and ground whatsoever for the U.S. military presence in South Korea, and urged the U.S. to unconditionally implement the resolution of the U.N. General Assembly and do its bit as the very one responsible for the Korean issue.

The statement stressed that the U.S. should not back the fascist regime of South Korea any longer but take hands off South Korea.

The Italian Committee for the Reunification and Peace of Korea in a statement denounced foreign troops' presence in South Korea, nuclear arming by South Korean authorities and joint military manoeuvres by the U.S. and South Korean authorities.

The statement called upon the U.S. and the South Korean authorities to put an immediate halt to their politico-military provocation moves aimed at aggravating the situation on the Korean peninsula and barring the peaceful reunification of Korea.

Ministry Official Discusses Power Conservation

*SK2912065395 Pyongyang NODONG SINMUN
in Korean 5 November 95 p 4*

[Article by Yi Sung-kwan, head of an unspecified office of the Ministry of Power Industry: "Power Conservation and Our Life"]

[FBIS Translated Text] We should make the utmost effort to save even a gram of cement or steel, or even a stitch of thread to make our already rich life even richer. In this regard, saving electricity is the easiest thing we can do. To save electricity, just turn the switch off to break a circuit. This is all we need to do to save electricity. This shows that we can save electricity as much as we want, if we are interested in doing so.

The great leader Comrade Kim Il-song has taught: All sectors and all units should firmly struggle to save electricity and coal.

We should never think that wasting electricity is not a matter of serious concern.

What is peculiar in electricity is that production and consumption occur simultaneously. If electricity is once misused, revival is not possible. Therefore, all people should direct deep attention to saving electricity and should make deliberate efforts toward this end.

The reward of efforts made to save electricity will be great.

If electricity is not wasted but consumed strictly according to the rules in every agency and enterprise and in every village and people's neighborhood unit across the

nation, this will be tantamount to having a large power plant.

This shows that saving electricity is not a trivial matter.

If a 40-watt incandescent electric light is not turned off but left lit overnight for seven hours through sleeping time at a home, this will waste 280 watt-hours of electricity.

If a person attempted to dry a wet piece of clothing using the iron and 100 grams of water evaporated as a result, this would be tantamount to having a 40-watt electric light bulb lit for one and a half hours.

There are many electric appliances to which we should pay attention to save electricity. Those disinterested in saving electricity occasionally forget to turn off freezers although all foodstuffs are taken out and the freezers are emptied. If a freezer is left turned on for two hours in this condition, about 1,000 watt-hours of electricity would be wasted.

In addition, sometimes, we just turn off the on-off switch of a television receiver but forget to turn off the switch of the single winding transformer attached to the receiver, as we stop watching. If electricity flows through the transformer all day long as a result of this, 800 watt-hours of electricity would be wasted.

Saving water is also equivalent to saving electricity. One cubic meter of water 100 meters above the watermill produces 980 kilowatt of electricity per second as it falls. So, letting the one cubic meter of water flow away without being used is tantamount to wasting 980 kilowatts of electricity. Nevertheless, some people are careless about wasting water, if it is just a bucket of water. If we forget to turn off the water faucet as we leave home to go to work and if water continues to flow all day, this would be equal to wasting a tremendous amount of electricity.

Additionally, wasting a kilogram of coal is equivalent to wasting two kilowatt-hours of electricity.

Indeed, there are many things we can do to save electricity.

Therefore, we should make utmost effort to save electricity wherever we are, at work and at home.

Above all, those sectors that consume electricity as the source of heat should make efforts to save electricity. Only those which are technologically unable to avoid using electricity should be allowed to consume electricity.

At the same time, to save electricity consumed in running motors, motors should not be left idly running without being loaded or while being partially loaded.

We should prevent motors from running idly and should replace unnecessarily oversized motors with reasonable ones.

In addition, staggered production schedules should be thoroughly established in order to prevent imbalance in the electricity consumption.

We should realize that electricity drives the people's economy and we should make positive efforts to save even a single watt of electricity. By so doing, we will contribute to improving our standard of living.

Official Urges Active Support for Coal Mines

*SK2912104195 Pyongyang MINJU CHOSON
in Korean 12 November 1995 p 3*

[Article by Chang Chae-myong, councillor of the Economic Policy Committee of the Central People's Committee: "It Is an Important Economic Task To Actively Support Coal Mines"]

[FBIS Translated Text] It is the invariable demand of our party's policy that all sectors of the people's economy should actively support coal mines in order to increase coal production and bring about joint innovations at related plants and enterprises.

Today, as we continuously struggle to implement the party's revolutionary economic strategy, the demand by the people's economy for coal rapidly grows with each passing day, and the current situation in which great new upsurges are needed in coal production urgently requires all sectors and units to actively support the coal industry.

Recently, our party has taken epochal actions to achieve new upsurges in coal production by emphasizing the coal industry based on the inevitable nature of our country's economic development and the demand of the reality, and has put forward an important task that calls for the party, country, and people to determinedly turn out to organize and carry out support work for coal mines. This shows a boundlessly noble intention to decisively increase coal production in compliance with the demand of the developing reality and to thoroughly implement the party's revolutionary economic strategy so the foundation of our country's self-reliant socialist national economy can be strengthened as firm as a rock, so the people's living can be guaranteed even more satisfactorily according to the socialist demand, and so the people can securely occupy a new position to attain even higher peaks in socialist construction.

The great leader [yongdoja] Comrade Kim Chong-il has indicated: Economic functionaries, by realizing that coal production is the beginning of all economic work,

should extensively offer material and facilities to coal mines, giving priority to coal production.

The active support of coal mines by all sectors of the people's economy means adequately helping the coal industry with manpower, material, and technologies. This means that even those sectors not directly linked to the coal industry need to regard coal mines as their own units of production, and need to offer substantial support using all means and methods; this also means those plants, enterprises, and other units directly linked to the coal industry are responsible for decisively offering the lion's share of what they produce each month to coal mines as a top priority task, according to the plans and contracts.

Actively supporting the coal industry and coal mines is an important task facing all sectors of the people's economy.

The reason that actively supporting coal mines is an important economic task is significantly related to the situation in which the coal industry is the leading sector of the people's economy and is the forefront of the great offensive operation intended to accomplish the party's revolutionary economic strategy.

The coal industry is a leading sector that should be firmly placed ahead of all other sectors of the people's economy.

Coal is the material, fuel, and source of energy for industry, and industry takes a leading position among the sectors of the people's economy. In particular, coal is precisely the primary source of fuel for our people's economy and for our chuche-oriented industry. Accordingly, only when coal is produced as a priority task can production in all other sectors of the people's economy be successfully guaranteed and the overall development of the country be vigorously pursued. The potential of our economic foundation is enormous. If coal is sufficiently supplied, only then can production be increased much more than it is now, and can an epochal turn be made in economic development. Coal production should be epochally increased, and coal should be reserved in abundance, in order for power production to be increased, which ensures the full operation of the thermal plants in the Pukchang, Pyongyang, Chongchon-kang, and Chongjin Districts. With the operation of these thermal plants ensured, the many light industrial plants in the central and local areas can be smoothly operated.

The coal industry is indeed a front comparable to a battle.

Just as victory depends on the units at the front, the result of the socialist economic construction depends

on the operation of the coal industry, which is a leading sector defending the front.

In battle, the power and invincibility of the front depends mainly on how sufficiently troops are supplemented; how sufficiently combat equipment, ammunition, and foodstuff are supplied; and how furiously the flames of support are raised across the nation. The same is true with the coal industry, which takes a leading position in the people's economy. The result of coal production entirely depends on how reliably young manpower is offered to the coal industry and on how properly facilities, equipment, and support material are supplied for the operation of coal mines. Pit props, coal cars, motors, other necessary facilities, equipment, spare parts, and small tools should be swiftly offered to coal mines. Only then can tunneling work be increased to expand coal cutting areas, and only then can coal production be drastically increased.

Presently, the committees and ministries of the State Administration Council, and the plants and enterprises concerned, regard it as their inherent mission to support coal mines. Thus, they are displaying the spirit of offering substantial support. For example, the Forestry, Metal Industry, and Machine Industry Ministries, as well as many central and local sectors, including the Administrative and Economic Committee of South Pyongan Province, are actively contributing to achieving gains in coal production by taking charge of a coal mine and extensively organizing support work.

The reason why actively supporting coal mines is an important economic task is because stabilizing production in all sectors and units of the people's economy at a high level, and improving the people's standard of living, are closely linked to coal production. In our country, none of the sectors and units of the people's economy is independent of coal consumption. Electricity, water, hot water, and fuel needed for home heating, which is freely consumed by the people, as well as all other necessities badly needed in our lives, are all produced through coal consumption. Foodstuff, textiles, and homes used as meals, apparel, and shelter are also unthinkable without coal. Therefore, we should never consider coal mine work as someone else's business. Actively supporting coal mines and helping increase coal production constitute important tasks to successfully securing the production of one's own unit and to improving the people's standard of living.

Presently, many sectors and units of the people's economy and all workers throughout the country are sincerely turning out to value colliers, place them at the forefront of society, and support coal mines.

This is proved by the following: Recently, responsible functionaries of the State Planning Committee and functionaries of the State Administration Council went to five coal mines, including the Changan Coal Mine, and worked with colliers in the coal pits, vigorously encouraging the colliers to innovation. They have contributed to increasing coal production by specifically grasping the situation of coal pits and by swiftly working out necessary measures. Meanwhile, functionaries of the Academy of Sciences went to many coal mines in the Anju District Coal Mine Complex. By conducting research, they invented and installed devices by which the durability of the colliers' safety lanterns could be extended, and found a new way to solve the problem of oil used in hydraulic pit props. In addition, functionaries of the Machine Industry Ministry visited to many coal mines at the Tokchon District Coal Mine Complex and secured a supply of coal car bearings, pumps, and other facilities as well as spare parts for coal mines; many provinces are sending more pit props to coal mines.

In particular, youngsters of the new generation have actively advanced to coal mines and settled there. They have set innovative examples at every course of coal production. This is a trait of excellence that shows what is possible by realizing the importance of the coal industry, and by realizing that coal mines are the honorable guardposts of a battle worth devoting the passion of their youth, their fighting spirit, and their blood-boiling young hearts.

All sectors and units of the people's economy and all workers should actively and more enthusiastically participate in supporting coal mines by deeply realizing how significant the support work is at present.

In this regard, the fundamental issue is whether we deeply realize that increasing coal production is the beginning of the economic development of the country and the improvement of the people's standard of living. Only with such a firm outlook and attitude can we make a bold decision to turn out to support coal mines and consistently participate in that support.

In addition, what is also important is to help coal mines and colliers in practice, not in word.

Functionaries should make it a habit to direct their primary attention to the coal industry and coal mines, and to think about them first rather than their own sectors or units. At the same time, they should thoroughly follow the principle of sparing nothing, offering everything to coal mines and colliers. Furthermore, plants and enterprises concerned should ensure that facilities, material, and spare parts needed by the coal mines are produced without any discrepancy, according to the plans and contracts, and are accurately supplied early each month as

a top priority. They should help the repair and maintenance of the coal production processes and facilities in the manner of taking care of their own work. By so doing, they should ensure that all coal mines operate at full capacity.

They should ensure that great new upsurges are brought about in coal production according to the behest of the great leader [widaehan suryongnim] and the intent of the great leader [yongdoja] Comrade Kim Chong-il, and thus should actively contribute to brilliantly implementing the party's revolutionary economic strategy, making our nation and fatherland even richer, and fully displaying the might of our own style of socialism which is centered on the people.

South Korea

U.S., DPRK Scheduled To Discuss War Remains

SK2912124495 Seoul YONHAP in English
1239 GMT 29 Dec 95

[FBIS Transcribed Text] Seoul, Dec. 29 (YONHAP) — U.S. and North Korean officials are scheduled to meet in Hawaii mid-January to discuss the issue of repatriating the remains of American soldiers killed during the Korean war.

A government official said Friday, "We understand they will meet at the U.S. Army Central Identification Laboratory in Hawaii to discuss technical matters related to searching for, identifying and repatriating the remains of killed American servicemen."

The major objective of the meeting is to have North Korean officials observe the course of identification of remains so as to help North Korea better search for and otherwise handle the remains of American servicemen, he said.

The U.S. and North Korea met for the first time in Beijing in 1987 over the issue of the remains of dead American servicemen and have since discussed the matter mainly through the channel of the Armistice Agreement at Panmunjom.

U.S. Coverage of North Food Crisis 'Exaggerated'

SK2912081495 Seoul SEOUL SINMUN in Korean
29 Dec 95 p 5

[Report by correspondent Ku Pon-yong]

[FBIS Translated Text] A peculiar phenomenon is taking place as regards the North Korean food shortage. While the ROK, a party concerned with North-South relations, has assumed a prudent wait-and-see attitude, the United States is focusing on the seriousness of the North Korean food situation.

This raises a fundamental question as to whether North Koreans are really starving and whether humanitarian food aid should be initiated immediately. In fact, we have the impression that it is the United States that is releasing the information about North Korea being on the verge of collapse because of a food shortage. For instance, a recent foreign press report from Washington stated North Korea is facing a critical situation in which riots may occur at any time because food rationing has been suspended.

However, the government's position is that such reports are "considerably exaggerated," as observed by Vice Unification Minister Song Yong-tae. The government's position is that some foreign press reports, particularly U.S. press reports which state that without food assistance hundreds of thousands of North Koreans will face starvation by March 1996, excessively exaggerate the North Korean food situation.

The government feels that although the North Korean food shortage is serious, it is not serious enough to lead to the collapse of the North Korean system. This is supported by the fact that North Korea has not reduced its six-month stock of rice for time of use in war, far more than the two-month stock recommended by the Food and Agricultural Organization [FAO]. North Korea's "rice begging diplomacy" may be aimed at filling shortages in its rice stockpile.

Thus, government officials seriously doubt the phenomenon related by the U.S. press, which is considerably exaggerating the North Korean food shortage. They suspect this might be an implicit pressure against the ROK to undertake rice aid to the North.

This observation comes from an analysis that the Clinton administration may publicize the stable situation on the Korean peninsula, including the resolution of the North Korean nuclear issue, as the major success in its foreign policy during the U.S. presidential election campaign in 1996. Thus, observers note that we must prepare for a perplexing situation in the first quarter of 1996 when North Korea's intentional creation of tensions to obtain food aid from the ROK will be coupled with U.S. moves to create an atmosphere to improve U.S.-North Korean relations, including the establishment of liaison offices.

Ministry: \$243 Million in Rice Aid to DPRK

*SK2912084695 Seoul YONHAP in English
0833 GMT 29 Dec 95*

[FBIS Transcribed Text] Seoul, Dec. 29 (YONHAP) — The government Friday paid Korea Trade and Investment Promotion Corp. (KOTRA) 178.9 billion won (231.43 million U.S. dollars) for the 150,000-ton

rice shipment it sent to North Korea last summer, the National Unification Ministry said.

Of the money, which came from the Inter-Korean Exchange and Cooperation Fund, 175.6 billion won was paid for the rice and the remaining 3.3 billion won for shipping.

With the 3.5 billion won spent for a shipment in September added, the entire expense the government has paid for the rice aid so far runs at 182.4 billion won [US\$243 million], according to the ministry.

The government is yet to pay 3.1 billion won in on-land transportation charges and insurance premiums.

KOTRA is the South Korean counterpart of North Korea's Samcholli General Trading Co. in inter-Korean rice talks.

Groups Seek 'Inspections' of Food Aid to DPRK

*SK2912095795 Seoul MUNHWA ILBO in Korean
29 Dec 95 p 2*

[Report by Ho Min]

[FBIS Translated Text] It has been learned that civilian organizations, including religious groups, are pushing ahead with independent plans to support North Korea, calling for direct inspections of their food distribution status once food and other aid is sent to North Korea.

On 29 December, a high-ranking official in the Protestant Church stated: "Civilian organizations, including the Protestant Church, have recently received a request from North Korea to send ramyon, blankets, and the like. We are seriously considering the request."

He added: If the support material is used for military purposes, fund raising would be very difficult. Thus, we informed North Korea of this, calling on Pyongyang to allow us to directly inspect the status of distribution in North Korea. North Korea responded: "Although direct inspection by South Korean figures is difficult, it would be possible to permit Americans to observe the status once food is jointly offered by South Koreans and Americans."

Accordingly, these civilian organizations, in collaboration with U.S. religious organizations, are pushing ahead with joint civilian-based projects to support North Korea. These civilian organizations decided to hold a meeting of relevant officials in early January to map out concrete measures.

Meanwhile, in October Cardinal Kim Su-hwan donated 40 million won to the ROK Red Cross Society to support North Korea, and donated another 40 million won on 28 December. Buddhist Priest Song Wol-chu,

from the Chogye Order, also recently donated 40 million won to the ROK Red Cross to support North Korea. Thus, donations by religious circles to the Red Cross to support North Korea have been made in succession.

DPRK 'Likely To Seek Economic Cooperation'

*SK2912021395 Seoul YONHAP in English
0151 GMT 29 Dec 95*

[FBIS Transcribed Text] Seoul, Dec. 29 (YONHAP) — North Korea is more likely to seek economic cooperation with the South than resort to military solutions if its economic woes and food shortage continue to worsen, a government agency asserted Friday.

This view contradicts the fears recently expressed by some public officials and the media that Pyongyang may provoke Seoul in an attempt to solve its food shortage.

In a report entitled "1996 Prospects for North Korea," the Presidential Advisory Council on Democratic and Peaceful Unification indicated that "a possibility for North Korea to militarily provoke the South in a desperate effort to overcome its food problem cannot be ruled out, although it is considered less likely."

Noting that the reclusive communist country will attack the South "only when it determined to self-destruct," the report suggested that "it is likely that the North will perpetrate small-scale provocations to maintain military tension as a way of cementing internal unity and as a strategic offensive against the United States."

The report indicated that there was little chance that the Stalinist country suddenly collapse as a result of a change in leadership or civil uprising. The advisory council supported this contention with the following three observations: There is no leadership alternative to Kim Chong-il; violent and oppressive social control; and the civic patterns of an undeveloped society.

The report added, however, that "since the North Korean economy reached its limit, close scrutiny is warranted in view of its imminent spring food shortage."

As to the formal assumption of power by its de facto leader Kim Chong-il, the council speculated that it is more likely to occur in 1997 rather than 1996 for the following reasons: Pyongyang is due to announce a new economic plan in 1997 in the wake of a three-year economic readjustment period; The outcome of the current state administration based on the teachings of the late President Kim Il-sung will have been revealed by then; and that some progress will have been made in its effort to improve relations with the United States and Japan.

The North might resume contact with the South by exchanging special envoys or Red Cross representatives in an effort to overcome its food shortages in the short term and to revive its economy in the long term, the report observed.

Noting that the forthcoming general elections in South Korea coincide with the most serious food shortages expected in the North, the report warned against the North's possible strategic use of the elections to incite controversy over the problem of rice aid to Pyongyang.

With regard to the North's foreign policy, the report observed that North Korea will maintain its peace treaty offensive, push for a new power structure in East Asia, and reinforce rapprochement efforts with the United States and Japan.

North Preparing for Trade Area 'No-Visa Entry'

*SK2912015195 Seoul YONHAP in English
0133 GMT 29 Dec 95*

[FBIS Transcribed Text] Seoul, Dec. 29 (YONHAP) — North Korea is taking steps to allow no-visa entry for foreign businessmen into the Najin-Songbong free economy and trade area on the northeastern coast of the country.

Such steps include the on-going talks with Beijing for turning the Wonjong bridge customs office on the Tuman River, which borders China, into a first-class customs office, the CHOSON SINBO reported in its latest edition. The daily is the official newspaper of Chochongnyon, a pro-Pyongyang association of Korean nationals in Japan.

The Wonjong office, currently rated third-class, is one of the few customs houses which travelers must pass through when they visit the Najin-Songbong area from Hunchun of northeastern China. When the office is promoted to first-class, foreigners will be allowed no-visa entry into the North Korean free trade zone, the report said.

Negotiations are underway with China on Wonjong bridge customs office's promotion, the Korean-language newspaper quoted Pak Ung-song, a pro-Pyongyang Korean businessman in Japan, as saying. Pak runs a company dealing in trade between Japan and North Korea and recently visited the communist country.

North Korea is also planning to expand the road linking the city of Hunchun, located in northeast China, with the free trade zone for transportation of cargo containers. A Hong Kong construction company has already been awarded a basic contract for the project.

Construction of a hotel accommodating 200 guests in Najin will be completed by February, while a heliport is nearing completion there for passengers flying to and from the northeastern Chinese city of Yanji, the newspaper reported.

In July, barbed-wire fences extending a total of 89 kilometers were erected along the inland border of the free trade zone.

Seoul's Image Among U.S., UK, Japan Viewed

SK2512092995 Seoul YONHAP in English
0509 GMT 25 Dec 95

[FBIS Transcribed Text] Seoul, Dec. 25 (YONHAP) — The image of South Korea abroad has improved despite a recent series of man-made disasters and the arrests of two former presidents this year, an overseas poll disclosed Monday.

On whether South Korea's image has improved in the past two to three years, 43 percent of respondents in the United States said yes compared to 37 percent of pollees in Japan and 42 percent in Britain.

About 1,500 people above the age of 18 residing in the United States, Japan and Britain were polled by opinion survey firms in the three countries from Dec. 4-8.

Replies that South Korea's image has worsened accounted merely for 8 percent, 15 percent and 2 percent in the three countries, respectively, with the remainder opting to say that "the image has not changed."

The poll was arranged by the Korea Gallup Research Institute at the request of the Ministry of Information.

As to why South Korea's image has improved, the largest proportion of respondents in America and Japan cited "progress in democratization and political reform," followed by "hearing news from the media."

In Britain, however, more respondents chose "hearing news from the media" than the progress of democracy, indicating that they still do not know much about South Korea.

As for reasons for a worsened image, corruption involving the two former presidents topped the list in Japan, while such irregularities and political confusion were cited more or less equal in the United States.

Concerning their knowledge of South Korea's reform policy, 48 percent of Japanese respondents and 45 percent of American respondents replied that they had heard or read about it, but only 34 percent of British respondents gave an affirmative answer.

As to their awareness of the arrests of South Korean ex-presidents Chon Tu-hwan and No Tae-u, 94 percent of

respondents in Japan gave an affirmative response, much higher than the United States' 53 percent and Britain's 38 percent.

Inquired about how the reform policy and the ex-presidents' incarceration affected their sense of fondness toward South Korea, pollees in the three countries who were aware of the policy said it reinforced their liking. But in Japan, such arrests functioned as a negative factor in respect to the respondents' fondness of South Korea.

In regards to general affection for South Korea, the United States topped the list with 81 percent, followed by Japan with 63 percent and Britain with 56 percent.

On democratization in South Korea, 57 percent of pollees in the United States believed "it has been democratized," while 25 percent thought "it has not been democratized." This compared much more favorably with the ratio of 54 percent and 41 percent registered in Japan and 33 percent and 35 percent in Britain, respectively.

Asked how well they know about South Korea, 79 percent of respondents in Japan chose "somewhat" or above, followed by 70 percent in the United States and 43 percent in Britain.

Regarding the quality of South Korean products, 73 percent of pollees in the United States, 58 percent in Japan and 53 percent in Britain gave affirmative replies such as "good" or "very good."

Compared with a 1988 poll, the figures from Japan represented a rise of 20 percentage points, but those from the United States and the United Kingdom reflected declines of 19 and 9 percentage points, respectively.

Despite such affirmative evaluations, however, South Korea was rated low when the pollees were asked to name an Asian country they think has the biggest potential for development in the coming 10 years. Japanese respondents cited China (44 percent) and then Korea (9 percent), while their U.S. counterparts named Japan (32 percent), China (24 percent) and Korea (4 percent). British respondents did not include Korea among the top five countries.

For Japan, in particular, this compared unfavorably to the 1988 poll in which 21 percent of pollees cited South Korea as an Asian country with the greatest potential for development.

Perhaps as a result, only 6 percent of Japanese respondents chose South Korea as an Asian country that they would like to visit most, placing it sixth out of 11 countries. According to the American and British respondents, South Korea, with the 10th spot, came in dead last.

Arms Export Exceeds \$100 Million Mark in 1995

SK2912015195 Seoul THE KOREA TIMES in English
29 Dec 95 p 3

[FBIS Transcribed Text] Korea has exported more than 100 million dollars of defense materiel this year, the second such feat following that in 1989, the Defense Ministry said yesterday.

Military exports surpassed the 100 million dollar mark in November and they will amount to 131 million dollars by the end of the year, it said. Korean export of military hardware was registered at 22 million dollars in 1993 and 77 million dollars last year.

The ministry said that the 131 million dollars of exports pale in comparison with those of the United States but gave high marks to the achievement since this took place amid a slump in international weapons sales. Israel chalked up 1.5 billion dollars in annual arms sales.

Korean export items included 111 Daewoo's K-20 armored personnel carriers (APCs) being sold over three years to Malaysia with 600,000 dollars apiece, and a 600-ton class coast patrol boat to Bangladesh. The sale of a Hyundai-manufactured patrol boat marks the first export by the company in 10 years.

The two items and others exported are independently developed and produced by Korean defense contractors in contrast to Korea's previous military export items that were produced or handed over by the United States. There are 82 military items of U.S. origin with 56 of them were developed before the First World War and evaluated to be of no military value.

In order to invigorate military exports, the ministry will launch a team, headed by a major general, to promote Korean military materiel and provide sale advice soon.

'Fair and Free' Russian Elections Welcomed

SK2912014095 Seoul YONHAP in English
0127 GMT 29 Dec 95

[FBIS Transcribed Text] Seoul, Dec. 29 (YONHAP) — South Korea welcomed Friday the Dec. 17 Russian parliamentary elections that were reportedly held in a fair and free manner in accordance with due constitutional processes.

In a statement, the Foreign Ministry expressed hope that the elections help Russia's parliamentary politics take root.

"The government of the Republic of Korea hopes that Russia continues to pursue its reform efforts to develop into a more prosperous democracy," the statement said.

It also expressed the hope that the two countries intensify and expand their constructive bilateral partnership.

Relations Normalized With Cyprus 28 Dec

SK2812234995 Seoul YONHAP in English
2317 GMT 28 Dec 95

[FBIS Transcribed Text] Seoul, Dec. 28 (YONHAP) — Cyprus established full diplomatic relations with South Korea Thursday to become the 182nd nation having diplomatic ties with Seoul, a Foreign Ministry spokesman said.

South Korea's permanent representative to the United Nations Pak Su-kil and his Cypriot counterpart Nikolaos Agathokleous formally signed in New York a joint statement establishing full bilateral relations between the two countries, spokesman So Tae-won said.

Deputy Foreign Minister Pan Ki-mun had visited Greece and Turkey Dec. 11-16 to seek an understanding of the two countries in Seoul's efforts to normalize relations with the island nation.

Cyprus, whose population is over three-quarters Greek, was conquered by the Turkish empire in the early 16th century and by the British empire in the late 19th century. It gained independence in 1960.

Ethnic conflicts in Cyprus between the Greek majority and the Turkish minority invited the Turkish military to make inroads into the northern part of the Mediterranean island in 1974.

Cyprus currently has 4,000 British troops and 2,250 Greek soldiers stationed there while Northern Cyprus boasts a 30,000-strong Turkish military force.

Dividing the two sides lies about 2,300 UN peacekeeping forces.

The Republic of Cyprus has 583,000 people on 9,251 square kilometers of land.

In 1994, South Korea exported 268 million U.S. dollars worth of electrical appliances, clothing and ships to Cyprus while importing 1.6 million dollars worth of chemicals and aluminum products.

South Korean businesses have yet to make inroads into the Mediterranean island.

Having maintained a nonaligned diplomatic policy, Cyprus had been reluctant to open formal ties with either Seoul or Pyongyang.

Nicosia, however, normalized relations with North Korea in December 1991 just two months after Seoul and Pyongyang concurrently joined the United Nations.

South Korea decided to normalize relations with Cyprus in consideration of its need to play a greater role in the world community, especially after having joined the UN Security Council as a nonstanding member.

Joining the world body in 1960, Cyprus maintains diplomatic relations with 165 countries.

The gross domestic product (GDP) of Cyprus reached 7,167 million U.S. dollars in 1994 and its income per capita amounted to 10,094 dollars.

The Turkish Republic of Northern Cyprus meanwhile has a population of 165,000 on 3,335 square kilometers of land.

Government Plans To Recruit More Foreign Workers

*SK2612031795 Seoul YONHAP in English
0156 GMT 26 Dec 95*

[FBIS Transcribed Text] Seoul, Dec. 26 (YONHAP) — The government plans to recruit approximately 10,000 additional foreign workers next year to ease the manpower shortage facing small manufacturing companies.

The additional industrial trainees will be allocated primarily to companies with less than 50 employees, the Trade, Industry and Energy Ministry reported Tuesday. Most of the foreign workers so far have been assigned to companies with up to 300 employees.

Before this plan becomes a reality it will first have to be discussed by the Finance-Economy, Foreign, Justice, and Labor Ministries.

Earlier this year the Korea Federation of Small Business requested that the government recruit 30,000 additional foreign trainees for small and medium-sized companies.

About 37,000 foreign workers have arrived in Korea since this program was first introduced in 1993, and most are Chinese, Indonesian, Philippino, Vietnamese, or Nepalese.

Kim Tae-Chung Interviewed on Political Scandal

*OW2512142695 Tokyo MAINICHI SHIMBUN
in Japanese 19 Dec 95 Morning Edition p 7*

["Summary of interview" with Kim Tae-chung, president of the ROK opposition National Conference for New Politics, by Fumiyasu Osawa on 18 December; place not given]

[FBIS Translated Text] Secret Political Donations, Kwangju Crackdown, 1979 Coup

The investigation of former Presidents Chon Tu-hwan and No Tae-u holds significant meaning as a step to bury

the military-led political culture of the nation. However, President Kim Yong-sam has not dispelled suspicions about his acceptance of a 300-billion-won political donation during the previous presidential election. He once said "no punitive actions are needed" for the Kwangju crackdown, but he is beginning to insist on the prosecution of those who were involved in the incident. From these issues, it is said that he is a person who justifies himself and takes a stern attitude toward others. President Kim is trying to use the political donation issue as an "anti-Kim Tae-chung" campaign. He is worrying about the 1996 general election after the defeat in local elections, and trying to suppress opposition forces like us.

Acceptance of Political Donation

In Beijing, I acknowledged my acceptance of a 2-billion-won donation. I received the money with a clear conscience. At that time, opposition parties could not receive financial assistance from labor unions because it was prohibited by law. The money was a donation from Mr. No Tae-u, who declared his neutrality toward the presidential election. I did not think it was illegal money because 2 billion won was a normal amount of pocket-money for the ROK president. But I did not receive a penny more than that donation. Mr. No sent me about 300 million won for my son's wedding, but I returned it to Chongwatae [the presidential office]. A business leader once brought me 600 million won — 300 million from business circles and 300 million from Chongwatae — saying he heard about my "financial problem," but I returned 300 million won. The prosecution authority suspects my acceptance of money from the Chon and No administrations, and the mass media and the ruling party are criticizing me without any evidence; however, those charges are all groundless. Prosecutors asked Mr. No: "You do not have to tell us about money given to Mr. Kim Yong-sam. Tell us about money given to Kim Tae-chung in addition to your 2-billion-won donation. We will guarantee the safety of your family." They pressed Mr. No, but he denied giving any additional money to me. Prosecutors also failed to get Mr. Chon to confess to giving donations to me during the 1987 presidential election.

Introduction of Cabinet System

Basically, I support the existing presidential system. We need a stable government under strong leaders to cope with North Korea (the DPRK), and the people have been supporting the political system. The current confusion is caused by the fact that the succession of political power has been a vertical movement (within a single party), but not horizontal (from one party to another). A cabinet-administered political system

will give parliamentarians power to overthrow the government. In that case, parliamentary politics may be threatened by specific financial combines controlling the nation's economy. While the present system tends to create severe antagonism between the ruling and opposition parties, we have the local autonomy as a shock-absorber. The central government no longer has the power to rule everything.

Political Scene

I suppose the approval rate for the ruling party has become worse than before the investigation of the series of scandals. The ruling party will have difficulties in the next general election. I am still in a do-or-die situation, and cannot afford to think about the next presidential election. But, fortunately, my party has strong unity and public support. Public support for us is the people's warning that they will not overlook Mr. Kim Yong-sam's mishandling of the No Tae-u fund issue and the special prosecution system. I cannot tell whether or not I will stand for the next presidential election until I see the result of the general election, but I think the National Conference for New Politics will do great in the election. This is why the government tries to suppress us.

Prospects for the North Korean Situation

I do not think the North is in very dangerous situation right now. We have to watch them carefully, but my personal opinion is that there will be no more wars on the Korean peninsula. (Korean Workers Party Secretary) Kim Chong-il cannot fully ascend to power, probably because he has difficulties in taking the leadership in reform due to resistance from the military and other antireform groups.

Chon 'Practically Broke' Fast; Health Stabilizes

SK2512143395 Seoul YONHAP in English
0818 GMT 25 Dec 95

[FBIS Transcribed Text]y Seoul, Dec. 25 (YONHAP) — Former president Chon Tu-hwan, who has fasted since Dec. 3 when he was imprisoned, practically broke his fast when he was hospitalized last week, a doctor at the national police hospital said Monday.

The doctor said that Chon began to take more than 1,600 cc of barley tea with vitamin, sugar, electrolyte, and salt on Dec. 20 when he was moved to the hospital.

"That kind of nutrition is enough to maintain Chon's health," he said.

Meanwhile, Chon whose normal weight was 73 kilograms now weighs 61 kilograms as a result of his fast.

Former First Lady Visits Chon in Hospital

SK2512062695 Seoul YONHAP in English
0549 GMT 25 Dec 95

[FBIS Transcribed Text] Seoul, Dec. 25 (YONHAP) — Mrs. Yi Sun-cha, wife of former president Chon Tu-hwan, visited her husband on the 23rd day of his fast at the national police hospital in southern Seoul at 11:25 AM Monday.

Accompanied by her three sons including the eldest Chae-kuk, she arrived at the hospital in a Daewoo super salon car, wearing a black overcoat, trousers and a gray neckpiece.

Asked on the purpose of her visit by reporters, the anxious-looking former first lady kept mum and proceeded toward the elevator walking arm-in-arm with two of her sons. She then went up to the seventh floor where her husband is currently being detained.

Chon's secretary Min Chung-ki, who arrived at the hospital nearly half an hour earlier along with five bodyguards of the ex-president, explained that Mrs. Chon visited her husband to recommend that he quit fasting.

Continuing his hunger strike, Chon refused Monday to take intravenous feeding as well as food for the 23rd straight day since beginning his fast Dec. 3. That same day, he was arrested and detained in Anyang prison in the southern suburbs of Seoul.

Chon was taken to the hospital five days ago for health concerns related to his fast.

Despite his self-imposed fast, however, he remains relatively healthy. With his physical strength weakened from fasting, Chon sleeps longer than usual, doctors said, adding that no abnormal signs of health have been detected in him thus far.

DP's New Structure Said Linked to Reform Role

SK2612025795 Seoul THE KOREA HERALD
in English 26 Dec 95 p 2

[By staff reporter David Cho]

[FBIS Transcribed Text] Members of the opposition United Democratic Party (DP) recently began an experiment in politics.

Two weeks ago, after merging with a coalition of civic leaders, the DP created a party structure that is unique among the four political parties because it does not rely on one charismatic figure. The DP's new constitution shifts power away from its leadership to its ordinary members.

Leaders of the DP believe this new structure will play a major role in gaining greater political clout for their party and reforming politics as a whole.

But political science professors agree that next April's elections will be the real test of whether the DP can survive in the contentious atmosphere of Korean politics.

The three other political parties, the ruling New Korea Party, the National Congress for New Politics, and the United Liberal Democrats, mirror each other in many ways.

Each of these parties has a foundation of support and power in a certain region in Korea.

All three also center around a single charismatic leader with the family name of "Kim"; without that figure, the party would fall apart.

Accordingly, the structure of the parties are hierarchical: all major decisions are made at the top. It is rare for a follower of a particular Kim to vote against or disagree with the policy of his leader.

Leaders of these parties also have the power to appoint candidates for election, local district heads and major posts in the party structure.

So Kyong-sok, the chief policymaker for the DP, criticized this type of centralized structure because, in such a hierarchy, party members are reduced to mere lackeys of a domineering boss.

According to him, the new constitution of the DP, in contrast, gives more power and responsibility to the ordinary party member.

"We want our party members, not one specific politician, to be the owners of our political party," So said.

Out of the desire to minimize what he called "boss politics," So explained that the DP initiated major changes in its party structure.

Instead of a leader appointing the party's presidential candidate, the DP introduced a primary system, which is kind of a pre-presidential election race within the party.

"Anybody who wants to run for president can now participate in the primary elections," So said, while emphasizing the word "anybody."

Another change was in the appointment of the party's local district officers.

Previously, the party president appointed its district heads; but now, local chapters will elect their own leaders.

"It used to be a top down (hierarchical) appointment, but we wanted district heads to be appointed from the bottom up," So said.

The DP also reorganized some of its most important leadership organs.

For example, in the committee which selects the party's candidates for the National Assembly elections, DP leaders will invite several non-party professionals, who are regarded as upright, not subject to favoritism and working for the good of the public, to participate in the decision-making.

So explained that this will prevent a more powerful faction in the DP from unfairly influencing the committee to its advantage.

"But for lack of time, I could go on and on about our reforms," So said with a touch of pride. "We have created the party of an advanced country."

Prof. Yun Yong-o, a political science professor at Kookmin University apparently agreed.

"The DP is a different kind of party. Sooner or later all other parties will follow its example," he said.

But other professors, while acknowledging the DP's strengths, were frank about its weaknesses.

"No matter how integrated they are, I don't think they have much of a chance in the next elections. Why? Because the DP has weak grassroots — a weak party organization on a local level. I mean, be real, the party is very new. How could they have cultivated a nationwide grassroots network by now?" Prof. Mun Chong-in of Yonsei University said.

A well organized grassroots system, he added, is essential in winning an election.

Prof. Kim Pyong-kuk of Korea University said something similar. He explained that because the DP does not have a regional power base like the other parties, it will not be successful in the next elections, even though the public perceives the DP as morally upright.

"The DP has the upper hand in the game to bring about moral rejuvenation in politics. But I'm not sure whether they can translate their moral and ethical superiority into actual votes," he said.

Even Prof. Yun, who said he hopes the DP will do well in the next elections, admitted, "Having a democratic structure and a decentralized voting system can work as a strength as well as a weakness because Korean voters are not accustomed to it. Some will simply see the party as disorganized or lacking leadership."

Prof. Yun also thought that if the DP does not do well, some may leave and join the ruling New Korea Party, while others may return to civil society.

Then why is the DP going to these lengths to reform itself when it may not pay off in the next elections?

So Kyong-sok provided the answer.

"We cannot reform the political system without first portraying a model party pattern," he said. Eventually, he continued, other parties will have to live up to his party's example.

In response to the skeptical remarks by political observers and professors, So added, "Eventually, we will dominate, if not the next elections, then in the next next elections. The crucial issue in future elections will be if a certain political party is really reforming itself, and we are holding up a model party."

He may be right. Although many political experts predict the DP will not last long after the general elections, history has shown that anything is possible in the world of politics.

Minister: 1996, 1997 'Critical Period' to Security
SK2912031395 Seoul CHOSON ILBO in Korean
29 Dec 95 p 2

[Report by reporter Ho Yong-pom]

[FBIS Translated Text] In connection with the possibility of the North Korean provocation against the South, Defense Minister Yi Yang-ho reported to a high-level party-government meeting held at the New Korea Party headquarters on 28 December that the next one to two years will be the most critical period posing a threat to the ROK's national security.

Defense Minister Yi said: Because of a serious economic difficulty and social unrest, there is an increasing phenomenon of social derailment in North Korea at present. There is a possibility that North Korea will miscalculate, taking the U.S. presidential election and the ROK general elections slated for 1996 and the sociopolitical situation in the South created by the arrest of the two former presidents to be a situation to its advantage.

According to the participants in the closed-door meeting, Defense Minister Yi said: The North Korean provocation against the South can be either an all-out provocation or a local provocation, but there are no signs of the North's preparations for an imminent attack on the South.

Chu Named Deputy Industry, Trade Minister

SK2912095995 Seoul YONHAP in English
0951 GMT 29 Dec 95

[FBIS Transcribed Text] Seoul, Dec. 29 (YONHAP) — The government on Friday designated Chu Kyong-sok, a Chongwadae [presidential offices] economy secretary, as deputy industry, trade and energy minister, a government source said.

Chu is expected to be replaced by O Kang-hyon, the trade, industry and energy ministry's director general for industrial policies.

Former Chongwadae Presidential Secretary Indicted

SK2912100495 Seoul YONHAP in English
0950 GMT 29 Dec 95

[FBIS Transcribed Text] Seoul, Dec. 29 (YONHAP) — Former Senior Presidential Secretary Kim Chong-hwi was indicted Friday on graft charges.

Kim, under arrest since his return home early this month from the United States, is accused of pocketing 130 million won [US\$173,000] in bribes from businessmen.

The Prosecutor General's Office also additionally indicted Kim U-chung, chairman of the Daewoo Business Group, on the suspicion of giving Kim Chong-hwi 50 million won in a bribe.

Kim has already been prosecuted without physical detention on charges of graft in connection with former President No Tae-u's slush fund.

A prosecution source said Kim Chong-hwi is suspected of receiving 80 million won from the Korea branch of the U.S.'s Aea Co. in July 1992 in connection with the Air Force's introduction of 12 mid-sized transport planes (CN235M) worth 159 billion won from the Casa Co. of Spain in 1992.

The alleged bribe of 50 million won from Kim U-chung was for policy favors for Daewoo which was then taking part in the government's arms improvement scheme.

The prosecution was continuing probe into Kim Chong-hwi's case as it detected signs that the ex-presidential aide for foreign affairs and national security received money from some other firms as well.

"But, Mr. Kim insists he doesn't know if any rebate was paid to former President No in connection with a change in the model of the Korean Air Force's next-generation fighter plan," the source said.

Na Plans To Pursue Independent Economic Policy

SK2612032095 Seoul YONHAP in English
0242 GMT 26 Dec 95

[FBIS Transcribed Text] Seoul, Dec. 26 (YONHAP)
— Deputy Prime Minister and Finance and Economy Minister Na Ung-pae said Tuesday the government would pursue an economic policy independent of the general elections next April.

Presiding over a staff meeting of his ministry, the government's chief economic policymaker predicted that pressure to join the Organization for Economic

Cooperation and Development (OECD) and the general elections would pose problems to the economy next year, though economic conditions both at home and abroad would not be bad.

He told his staff members to see to it that Seoul's economic policy be carried out without any political influence in the new year.

Na also stressed the need to publicize tax and financial policies directly related to businesses and people so that they can fully understand such policies.

Brunei, Malaysia & Singapore

Malaysia

Ministry Condemns France's Fifth Nuclear Test

BK2912065795 Kuala Lumpur THE STAR in English
29 Dec 95

[Report by Y.P. Balakumar and Jaclynn Toh — received via Internet]

[FBIS Transcribed Text] KUALA LUMPUR: Malaysia has condemned France for continuing nuclear testing, its fifth this year in the South Pacific.

Foreign Ministry secretary-general Tan Sri Ahmad Kamil Jaafar said Malaysia would convey to France her unhappiness about the nuclear tests.

"We had opposed their previous tests and we will continue to condemn the French Government for completely ignoring the call by the international community to stop nuclear tests."

He said Malaysia had used all avenues to show its commitment towards the comprehensive ban on nuclear testing and to condemn those who conduct them.

France triggered the fifth blast in its series of underground nuclear tests at the Mururoa Atoll in French Polynesia on Wednesday.

France has said it would conduct a total of six tests in the series, which began on Sept 5 while promising to sign the Comprehensive Nuclear Test Ban Treaty — an accord banning nuclear tests permanently.

In October, Malaysia voiced its stand in a rare moment where 25 government and opposition political parties gathered to condemn France for its nuclear testing in the South Pacific.

Umno [United Malays National Organization] Youth has called for a boycott of French-organised official events and also dropped France from its list of friendly countries.

Its international affairs bureau executive secretary Mustapha Yaakub also said French diplomats should no longer be invited to official functions.

Mustapha regretted Paris defiance in the face of worldwide opposition.

"France's insensitivity and nonchalant disregard of international protest against its nuclear testing is a major setback towards a nuclear arms-free world," he said in a statement.

He also said the other major powers — the United States, Britain, Russia and China — were not sincere

in their efforts to oppose French nuclear testing in the South Pacific.

Prime Minister Discusses Changes in Leadership

BK2812144895 Kuala Lumpur THE STAR in English
28 Dec 95

[Report by Hah Foong Lian and Sreejit Pillai — received via Internet]

[FBIS Transcribed Text] Kuala Lumpur — The people should not worry about a change in leadership as the country has set its development objectives to the year 2020, Datuk Sri Dr Mahathir Mohamed said yesterday.

The Prime Minister said changes in leadership occurred anywhere and "there comes a time when one has to retire."

"We have set the objectives of the nation until the year 2020 and everybody knows this. I don't see why one needs to be worried about changes in leadership," he said during a live Internet session at Angkasapuri.

"Everyone should be prepared to serve the nation to the best of his ability."

To another question, Dr Mahathir said he did not see himself taking up the post of the United Nations Secretary-General.

"I know it is a great honour for Malaysia but I don't think I am suited for that kind of job," he said.

On his biggest achievement and disappointment during his tenure, he replied: "I consider the biggest achievement is to be able to bring the different races together and to remove suspicions between races which bugged us in early days."

His disappointment was the inability of bumiputras [indigenous people] to catch up and their way of doing things which had not benefitted them.

During the 35-minute session, Internet users asked questions that ranged from Vision 2020 to growth measures.

One even asked Dr Mahathir for assistance in finding domestic help.

He later told reporters it was difficult for the Government to censor pornography on the Internet.

"There was a time when we could isolate our country like an island but now it comes through the air," he said.

"In the long run, we cannot stop this. It is like holding onto flour, no matter how we hold it in our hands, some will still escape between our fingers."

As such, Dr Mahathir said it was more important to instill religious values to act as a defence against immoral acts.

Outgoing Commander on Greater Military Challenges

BK2912090695 Kuala Lumpur Voice of Malaysia in English 0800 GMT 29 Dec 95

[FBIS Transcribed Text] The armed forces of Southeast Asian countries must be prepared to face greater military challenges by the year 2000.

The outgoing commander of Army Field Command, Lieutenant General Datuk Abdul Ghani Abdullah, said the challenges, which were closely related to the duplicating claims by several countries on islands or territories in the South China Sea and around the Borneo [Kalimantan] island, could create crises in the region if not handled properly.

Lt. Gen. Abdul Ghani retires on 24 April next year after serving 36 years in various units of the Malaysian Armed Forces, ATM. He said although leaders in this region are capable of handling the issues, the armed forces needed to be prepared at all time because global issues now had direct impact on political and economic situation in all regions.

He pointed out that the strength of the ATM would be increased significantly in view of the new challenges as well as of the effect of Malaysia's increasingly active foreign policy. In this context, Malaysia's military strength in the state of arts would be given priority in terms of upgrading hardware and manpower in view of its strategic location.

Singapore

Telecom, PRC Firms in Telecommunications Venture

BK2912073195 Singapore BUSINESS TIMES in English 29 Dec 95

[Unattributed report — received via Internet]

[FBIS Transcribed Text] SINGAPORE Telecom and a Singapore Technologies subsidiary yesterday signed an agreement with four Chinese parties to provide a satellite-based mobile telecommunications service in the Asia-Pacific [region] from mid- 1998.

The project, valued at US\$640 million (S [Singapore] \$900 million), will be administered by a Singapore-based joint venture company, Asia Pacific Mobile Telecommunications (APMT) Satellite Ltd.

The mobile phone and data services system will be a boon for roving businessmen finding themselves in areas with no cell and fixed-line services.

Singapore Technologies Telemedia and Singapore Telecom will share a one-third equity stake in the company, while the Chinese parties — China Satellite Launch and Tracking Control General, China Aero- Space, China Unicom Satellite Telecommunication and China Telecommunications Broadcast Satellite — will share the remainder.

It is understood the parties will each contribute US\$20 million as initial paid-up capital.

The project will also be financed by external loans and internally generated funds.

National service providers (NSPs) can also take equity stakes in APMT.

Thai joint-venture company Asia Mobile Telecommunications has indicated, in a memorandum of understanding [MOU] signed yesterday, that it would take an equity stake of up to 10 per cent.

In another MOU signed yesterday, Japan's Mitsubishi Corp also confirmed its "positive intention" to be an APMT investor and partner.

APMT is also talking to potential NSPs in four other countries about taking stakes in it.

The new shareholding arrangement is expected to be finalised late next year.

The company is in the final stages of evaluating bids for a turnkey satellite system ranging from US\$500 million to US\$800 million from three American satellite makers, Hughes Communications, Lockheed Martin and Loral.

The service will initially have five gateways — in Singapore and Thailand, and three in China.

The system can support up to 30 gateways.

Singapore Technologies Telemedia vice-president Yeo Chee Tong said China represents about 60 per cent of APMT's market potential.

China's phone penetration rate is less than 3 per cent.

A Singapore Telecom spokesman said APMT will sell satellite time to NSPs at 50 US cents a minute.

Actual rates will be set by the NSPs.

A spokesman for the Telecommunications Authority of Singapore said APMT could provide its services via commercial arrangements with TAS public telecom

operators such as Singapore Telecom, MobileLink and MobileOne.

Cambodia

Border Province Bans Rice Exports to Thailand

*BK2812152095 Phnom Penh REAKSMEI
KAMPUCHEA in Cambodian 28 Dec 95 pp 1, 4*

[Report by S. Uddom]

[FBIS Translated Text] Banteay Meanchey Provincial Governor Duong Khem reacted strongly to the report that rice has been exported through a number of border passages near the Poipet economic zone. The rice was transported by both trucks and tractors across the border and sold to Thai merchants in border areas.

Duong Khem had given a strict order to commanders of the army, national police, and military police units to prevent the export of and sale of rice to Thai merchants in particular. This is because "the whole of Cambodia is suffering from a grain shortage. The Royal Government of Cambodia has called on foreign countries to help provide rice strains and grain to aid the poor. Thus, the export of rice is really not good at all."

Governor Duong Khem added that he ordered the ban on rice exports in compliance with the advice of the two prime ministers and the directive of the Interior Ministry.

Speaking at the conference hall of the provincial office, the governor stressed: "All district governors, especially of districts along the Thai border, must write down the names of any civilian or units of any military officers who dare to send out rice by claiming to have the backing and the power to do so, and to report them the provincial authorities so that measures can be taken. However, the transportation of rice from here to Phnom Penh or its distribution within the country is not prohibited. However, written permission must be obtained.

Banteay Meanchey Province has also issued a provincial order No. 31 dated 14 December 1995 stressing that all people, peasants, and merchants who buy and sell rice are absolutely prohibited from exporting rice.

Governor Duong Khem said: "The transport of rice from one district to another must have the permission of the local authorities concerned, while the transport of rice from one province to another must be approved by the provincial governor. He added: "violators this order will be fined or have their goods and means of transportation confiscated, depending on the degree of their violation.

Khmer Rouge 'Prime Minister' Views Situation

BK2912103595 (Clandestine) Radio of the Provisional Government of National Union and National Salvation of Cambodia in Cambodian 2330 GMT 28 Dec 95

[Interview with Khieu Samphan, prime minister of the Provisional Government of National Union and National Salvation of Cambodia and chairman of the Cambodian National Union Party, by an unidentified correspondent on 28 December; place not given — recorded]

[FBIS Translated Text] [Correspondent] My respects, Your Excellency. Now that we are at the end of 1995 and on the threshold of 1996, Your Excellency, can you sum up the situation of our national and people's struggle for our compatriots?

[Khieu] Certainly. To see how our national and people's salvation struggle has fared, let us take a look at the situation of the two-headed lackeys of communist Vietnam and the alliance and see how badly they have been writhing in agony.

In 1993 communist Vietnam and the alliance joined hands in prematurely conceiving the two heads for use as a tool in continuing the communist Vietnamese war of aggression to do away with our Cambodian nation and people and crush the forces of our national salvation struggle. How has the result been? The two heads — their creation — have been writhing and shaking in convulsions. They have been plunged head-deep into enormous conflict with our people from all walks of life in the countryside as well as urban areas; with poor people, merchants, students, journalists, and politicians — that is, with everybody in the national community from top to bottom.

Now, their ugly faces have been unmasked. They have exposed themselves as nothing but the communist Vietnamese aggressors and their stooge Hun Sen. In 1993 they wore Vietnamese masks and hid behind Ranariddh's FUNCINPEC [National United Front for an Independent, Neutral, Peaceful, and Cooperative Cambodia] and other parties and behind the pretense that there was a reigning king, a constitution, liberal democracy, pluralism, and so on in the country. None of that is left now. We can see nothing but the face of the Vietnamese; of Le Duc Anh with his jet-black teeth. Everything is crystal clear to our entire nation and people. There can be no deception. The boundary between our nation and people on the one hand and the communist Vietnamese aggressors, Hun Sen, and their other stooges on the other is clearly demarcated. From Ratanakiri to Mondolkiri to Phnom Penh to the Royal Palace, an intense conflict has spread; an intense

hatred of the communist Vietnamese aggressors and their puppets and lackeys like Hun Sen.

Our nation and people have always been unanimous on this point. We were not ambiguous during the time of UNTAC [UN Transitional Authority in Cambodia] and we are not ambiguous now. Do not think that the communist Vietnamese and Hun Sen can play kingmaker at will. Do not think they can trample on others' heads and close others' mouths at will. No way. On the contrary, they are extremely and utterly isolated from our nation and people from all social strata. Besides, many foreign countries have opposed them and demanded that aid to them be suspended.

[Correspondent] Your Excellency has said that the two heads have conflicts with our nation and people. What are these conflicts?

[Khieu] Yes, there are conflicts over the issue of the genocidal war as well as their extreme corruption; fascism; theft; and massive robbery of land, homes, fields, orchards, cattle, lakes, ponds, rivers, and forests. There are conflicts over the repeated imposition of forced labor and the deadly and massive conscription of soldiers and militiamen. The conflicts are acute and profound. Even the two heads' soldiers have serious conflicts with them.

[Correspondent] Speaking of conflicts within the ranks of the two-headed soldiers, how has the battle situation been?

[Khieu] As we near the end of 1995, in terms of the season, two months of the dry season have already elapsed. The situation on the battlefield can be summed up as follows:

1. The two heads have taken no initiatives at all, meaning they have completely lost all initiative and find themselves in a defensive position, waiting at all times to get hit.
2. The transportation routes — their lifelines, small and large — have been cut. This has seriously affected both the economic-financial well-being of the two heads in Phnom Penh and their livelihood on various battlefields.
3. The two-headed soldiers have no heat, rice, medicine, mosquito netting, or blankets. They are cold and there are many wounded and sick in every camp.
4. The two-headed soldiers are deserting by the dozens, the hundreds, and even the thousands. There is no way their superiors can stop these desertions.
5. The puppet army officers are fighting, verbally abusing, and blaming one another every day. Those at the headquarters in Phnom Penh and in the provincial seats accuse those at the front of betrayal. Those at

the front hurl abuse back at those in the rear, daring them to volunteer for front-line assignments. Puppet rank and filers also have conflicts with their cruel officers; they are just waiting for a chance to shoot their own cruel superiors. The ANKI [National Army of Independent Cambodia — former FUNCINPEC army] soldiers also have conflicts with the soldiers of the communist Vietnamese puppets, both officers and rank and filers.

6. The two heads are running out of troops with which to fight. They are having difficulty recruiting new soldiers and militiamen.

On the contrary, the guerrilla and people's war is spreading more and more widely and profoundly all over the country. The peasants in general, especially the poor peasants who have suffered the most from the communist Vietnamese war of aggression over the past 17 years, have always joined the forces of the national salvation struggle in attacking the traitorous lackeys of communist Vietnam and the alliance. Now the two-headed traitors and their masters are bleeding them white. They are dying of hunger. There is no way for them to survive or recover their land and orchards; the lakes, ponds, rivers, and brooks from which they used to get fish to eat; and the forests where they used to forage for food and other products except to join the national salvation resistance forces. They have become a regular force for producing strategic weapons and using these strategic weapons — punji pits, poison-tipped stakes, poisonous stakes, and multi-pronged stakes — to surround and seal off enemy positions and administrations, cut off the enemy's small and large transportation routes, and destroy the enemy on the spot.

If the peasants rise up, especially the poor peasants, they will surely form a mighty force that nothing can stop. The battlefield has now come to the house of Hun Sen himself. He needs the protection of tanks, infantry troops, and communist Vietnamese secret agents who are constantly positioned around and inside the gates of his house.

[Correspondent] Can you tell us about the economic-financial situation of the two heads?

[Khieu] Sure. The economy and finances of the two heads have already hit rock bottom. Their masters have spent more than two years trying in vain to solve this problem. The two heads are becoming increasingly destitute, rotten, and thoroughly eaten by worms. No amount of effort can save them from this situation. Their situation is so bad that they have auctioned off much of the country to dishonest foreign businessmen for 50-70 years, allowing the foreigners to do whatever they

please. Cambodia no longer belong to Cambodians. It has become the territory of foreign merchants. These bastards' crimes are very serious. Our nation and people have already convicted them.

[Correspondent] Your Excellency, please tell us more about the objective of our national and people's struggle.

[Khieu] The objective of our national and people's struggle is to have an independent, unified, sovereign, and neutral Cambodia with all its territorial integrity intact. This is the goal and the vital aspiration of our nation and people from all walks of life.

Our nation and people are not waging the struggle for any communist or socialist system. Neither are we waging it out of any sense of racism or chauvinism. This is very clear.

To enable Cambodia to recover its independence, unity, sovereignty, peace, neutrality, and territorial integrity, the following conditions should be fulfilled:

1. The communist Vietnamese war of aggression must be terminated.
2. The communist Vietnamese puppet regime must be dissolved and replaced by a Cambodian regime that includes all Cambodian political parties with the exception of the five top traitors — Hun Sen, Chea Sim, Sar Kheng, Heng Samrin, and Tie Banh.
3. The over 4 million ethnic Vietnamese who were sent by communist Vietnam to swamp Cambodia must be repatriated.
4. All treaties and agreements signed between communist Vietnam and its puppets since the communist Vietnamese aggressors occupied Cambodia in 1979 must be considered null and void. All treaties and agreements signed by the communist Vietnamese puppets on behalf of their so-called People's Republic of Kampuchea or their so-called State of Cambodia in violation of Cambodia's sovereignty must also be considered null and void. All agreements and contracts signed with the collusion of the two heads that permit dishonest foreign businessmen to purchase or lease the seas, islands, Kompong Som [Sihanoukville], and other regions in Cambodia — acts of international plunder of Cambodian territory — must be considered null and void.

Our entire nation and people pledge to fulfill all the abovementioned political duties. It is certain that we will succeed. Our nation and people demand nothing outside the framework of their independence, sovereignty, and territorial integrity. This is the inalienable right of all countries and peoples as clearly defined in the UN Charter and international law. The Cambodian nation and people do not wish to antagonize Vietnam or the

Vietnamese people in their capacity as an independent state and as people who genuinely love peace and justice and truly respect Cambodia's independence, sovereignty, and territorial integrity.

The Cambodian nation and people do not oppose any country near or far that loves independence, peace, and justice; respects the UN Charter and international law; and does not commit aggression against Cambodia or interfere in Cambodia's internal affairs. The Cambodian nation and people respect such countries, near or far, and express profound gratitude to them.

[Correspondent] Your Excellency has clearly summed up the situation of our national and people's struggle in 1995. Do you have anything to add?

[Khieu] Yes. I would like to take this opportunity to extend my best new year's wishes for 1996 over the airwaves of the radio of the Provisional Government of National Union and National Salvation to all our comrades in arms, all our compatriots at home and abroad, and all our esteemed and beloved people who have overcome myriad obstacles in waging our heroic and tenacious struggle. May you usher in the new year with great all-around success.

We also extend best wishes to all peace- and justice-loving peoples and countries in the world and the region. May they always succeed in their endeavors to consolidate and expand peace and stability in the world and the region and their endeavors to strengthen and develop all-around cooperation between states for the constant development and prosperity of each country. May they intensify their activities to help terminate the communist Vietnamese war of aggression in Cambodia quickly so Cambodia can have peace again and to benefit the efforts to strengthen and develop regional and global peace and stability.

Long live the forces of the great national union triumphing over the war of the communist Vietnamese aggressors and the alliance!

Long live the peace- and justice-loving forces of the world triumphing over the forces of belligerence!

Khmer Rouge Said Dealing in Opium With Khun Sa

BK2912084495 Phnom Penh REAKSMEI

KAMPUCHEA in Cambodian 29 Dec 95 pp 1, 5

[Report by Rosa]

[FBIS Translated Text] Colonel Sin Sap, the police chief of Kompong Thom Province, told a REAKSMEI KAMPUCHEA correspondent that over the past several days the Khmer Rouge have smuggled opium through

the province. He said that these Khmer Rouge soldiers — operating in Ponhea Loe and Muk Kampul Districts of Kandal Province, Ba Chay District of Kompong Cham Province, Kompong Tralach District of Kompong Chhnang Province, and in Siem Reap Province — are from Division 785. They smuggle opium into the country from the border and then hire people in Kompong Thom Province to bring the opium to their connections in Phnom Penh. The police chief added that the police already know who those people are that have dealt in opium with the Khmer Rouge. The police will not take any action before the ringleaders are found, however.

The police chief refused to give more details about this matter because the search is still ongoing, but he said that the amount of opium smuggled in by the Khmer Rouge is fairly large.

It has been reported that the Khmer Rouge have started trading in opium with drug kingpin Khun Sa in the Golden Triangle. Although the report cannot be confirmed, it is believed that it must be true because the Khmer Rouge are now smuggling opium into the country.

Col. Sin Sap said another shipment of opium was smuggled in through Thom Province; that is, it came through the passes in Stung Treng and Kratie Provinces and was then transported to Phnom Penh via Phnum Chi in Sandan District. He added that the smugglers normally carry opium through secluded areas under Khmer Rouge control and try to avoid the government authorities.

He said that because their usual smuggling routes have become more inconvenient, the smugglers have chosen Kompong Thom as a new route to avoid attention. It is bad that the Khmer Rouge have started to smuggle narcotics into the interior of the country. Col. Sin Sap said this is another sabotage activity that he must prevent to the best of his ability.

The police chief said he would not be too hasty in taking action against this smuggling because it might hamper more important work. He said that investigations must be carried out to find the original sources before launching any sweep campaign, adding that he could not ignore this matter.

Khmer Rouge Prepare To Counter Troop Offensive

*BK2812151395 Phnom Penh REAKSMEI
KAMPUCHEA in Cambodian 28 Dec 95 pp 1, 9*

[Report by Peyatro]

[FBIS Translated Text] According to military sources, the Khmer Rouge rebels in Pailin are preparing their

forces to counter the upcoming offensive by government troops.

The rebels were seen deploying five T-58 and T-54 tanks from Pailin to areas near Treng and important government troop positions in the southwestern part of Ratanamondol District. They seemed to be preparing for a certain situation.

However, in an interview with REAKSMEI KAMPUCHEA correspondent at the Defense Ministry on 26 December, Major General [Maj. Gen.] In Sidare, commander of the 5th Military Region, stressed that the Khmer Rouge have not embarked on any major activities, except for sneaking in to plant mines and carrying out small attacks in some remote areas. These activities are regarded as just bandit raids carried out only when government troops are negligent.

The General Staff Department of the Khmer Royal Armed Forces reported in its newspaper on 25 December that in the past few weeks in the 4th and 5th Military Regions, the Khmer Rouge continued to shell densely populated areas in Treng, Poipet, Angkor Chum, and Srei Snam. They also robbed and killed four people in Kompong Leng District of Kompong Chhnang Province, and extorted money from 16 inhabitants in Phnum Kravanh. They also planted mines to destroy highways and railroad in various areas in Battambang and Pursat Provinces.

Maj. Gen. In Sidare added that although the Khmer Rouge still have enough forces to carry out destructive activities in some villages and communes, they are incapable of launching any major offensive against us. However, our forces are capable of launching a major offensive against them and the Khmer Rouge everywhere no longer dare to embark any activity in areas controlled by government forces. This is because government forces have been launching sweep operations in these areas regularly.

Khmer Rouge Claim Three Communes Liberated

BK2812015395 (Clandestine) Radio of the Provisional Government of National Union and National Salvation of Cambodia in Cambodian 2330 GMT 27 Dec 95

[FBIS Translated Text] On 26 December, after completely liberating Ke commune, our National Army together with the local people continued to smash and remove two-headed military and civilian administrators from Chhnuon commune. We succeeded in completely liberating Chhnuon commune along with four villages, namely Chhnuon, Russei Srok, Tonloap, and Toek Kraham.

In sum, we have completely liberated three communes — Sleng Toul, Ke, and Chhnuon.

The local people are taking an active part with our army personnel and guerrillas in producing and planting strategic weapons to defend the locality and in attacking the enemy in the direction of Rovieng District seat.

Laos

Minister Leaves for Border Meeting in Bangkok

BK2912083095 Vientiane Vitthayou Hengsat Radio Network in Lao 1200 GMT 28 Dec 95

[FBIS Translated Text] Lieutenant General Choummali Sai-gnason, national defense minister and chairman of the Lao-Thai General Border Peacekeeping Cooperation Committee, and his delegation left Vientiane for Bangkok in the Kingdom of Thailand this morning to attend the fifth meeting of Lao and Thai general border peacekeeping cooperation committees. The meeting is scheduled to be held in Bangkok from 28 to 30 December. A ceremony to send off the delegation was held at the National Defense Ministry in Vientiane. Attending were Lieutenant General Siphon Phalikhhan, deputy minister of national defense and chief of the Army General Political Department, and Lieutenant General Ai Souli-gnaseng, deputy minister of national defense, and a number of high-ranking officers.

During the meeting, the two sides will review the performance of the general border peacekeeping cooperation committees of Laos and Thailand over the past year, or since the fourth meeting of the committees. They will also discuss cooperation plans for subsequent years.

Minister Issues Circular on Labor Import-Export

BK2912073895 Vientiane KPL in English 1029 GMT 27 Dec 95

[FBIS Transcribed Text] Vientiane, December 26 [date as received] (KPL) — The minister of labour and social welfare, Mr. Thongloun Sisoulit, on December 15 issued a circular on the importation of foreign labour and the exportation of Lao labour.

The circular stipulates that labour supply organisations authorised by the government are the sole suppliers of labour who can bring foreign labour into Laos and send Lao labour to work abroad.

The Ministry of Labour and Social Welfare can consider requests to bring in foreign labour and export Lao labour when the authorised labour supply organisations submit requests. Other labour units, including individuals and juristic persons, are not entitled to deal with these affairs.

The import of foreign experts working for aid projects acknowledged by the Ministry of Foreign Affairs shall be subjected to the usual practices and regulations.

All the importation of foreign labour and exportation of Lao labour detrimental to article 23 of the prime minister's decree no. 98, issued on December 14, 1995, and to this current circular shall be considered illegal.

Philippines

Manila Offers P1 Million Reward for ABB Head

BK2912010995 Quezon City GMA-7 Radio-Television Arts Network in Tagalog 2230 GMT 28 Dec 95

[FBIS Translated Text] The government is offering P[Philippine pesos]1 million reward for the arrest of Leonilo De la Cruz, head of the Alex Boncayao Brigade [ABB]. According to the PNP [Philippine National Police] leaders, the P1 million reward will be taken from the budget of the Presidential Task Force, Army Intelligence and Counter-intelligence. According to police intelligence, De la Cruz, who is hiding under the alias Sergio Romero, may still be in Metro Manila.

Fourteen suspected ABB members have been arrested over the few past days, including the district (instructionary force 2) Vice-Commander Roberto Lopez Jr., the son of De la Cruz. According to the police, Lopez was identified as one of those who shot the Filipino-Chinese businessman Leonardo Ty and his driver in Quezon City on 11 December. According to Brigadier General Victor Garcia, AFP [Armed Forces of the Philippines] civil relations chief, members of the ABB left leave Metro Manila as the targets of a hot pursuit launched by the authorities.

Meanwhile, President Ramos claimed the arrest of the second highest official of the ABB, Victorio Ferdinez, alias Marcial Jacinto, as a big blow to the terrorist group. In this connection, President Ramos commended DILG [Department of Interior and Local Government] Secretary Rafael Alunan for the arrest of Ferdinez.

Ramos on Terrorist Threat To Derail Development

BK2912034795 Manila PNA in English 0450 GMT 28 Dec 95

[Received via Internet]

[FBIS Transcribed Excerpt] Manila, Dec. 27 (PNA) — Following is the top story in the major English-language Philippine newspapers today: [passage omitted]

JOURNAL — Terrorists Won't Deter Quest for Peace — Ramos

The government won't be cowed by terrorists in its quest for peace and development in Mindanao and the

rest of the country, President Ramos declared yesterday... In a policy speech at the 2nd National Ulama Conference held in Marawi City, the president confirmed that international terrorists have found their way into the country in connivance with their local counterparts... With their own agenda, local and foreign terrorists "are sowing discord and fear in Mindanao and they threaten our march to progress," he warned... "But the government is not cowed by these threats," the president stressed... The president expressed confidence that these threats will be solved with the joint efforts of law enforcement agencies and peace-loving communities throughout the country... Before Mr. Ramos delivered his speech, he heard a message of support sent to him by Egyptian President Muhammad Husni Mubarak... Mubarak wished him success in his efforts to bring peace and prosperity to the Philippines, particularly in Mindanao... [passage omitted]

Thailand

U.S. Said Reluctant To Sell Advanced Missiles

BK2912073795 Bangkok THAILAND TIMES
in English 29 Dec 95 p A 1

[Report By Benchamat Chumworathai]

[FBIS Transcribed Text] Bangkok — The U.S. is reluctant to sell F-18 jet fighters and AIM-120 Advanced Medium Range Air-to-Air Missiles (AMRAM) to the Royal Thai Air Force [RTAF] due to concern about international security in the Asia-Pacific according to sources in the Royal Thai Army.

The RTAF sent a letter of request in early October to the U.S. Defense Department through the Joint U.S. Military Advisory Group (JUSMAG) in Thailand, asking to purchase eight F/A-18 C/D jet fighters, on condition that the U.S. also sells a number of AIM-120 medium-range air-to-air missiles.

The Thais want to buy four single-seat jets and four double-seat D-type jets. Each jet costs about one billion baht, according to one source.

ACM Amon Naeomali, chairman of the Air Force committee on weapons purchases, recently said the RTAF would submit the request to the cabinet for approval as soon as they hear whether it has been accepted by the U.S.

Selling squadrons of F-18s to Thailand would not be so difficult, but the conditions stipulated by the Air Force make it more difficult for the U.S. to sell the jets, said the source.

Amon added that the F-18 jet fighters are used in several countries, including Australia, Switzerland and Malaysia, but not the missile system.

"This is because it is not U.S. policy to sell that kind of high-tech missile to Asia-Pacific countries," he said.

Another RTAF source, however, maintained if the U.S. refused to sell the F-18 jet fighters, the Air Force would buy either the French-made Mirage 2000-5s or the Russian-made SU-35s.

The medium range air-to-air missiles are currently used only in the four countries, namely the U.S., Germany, Sweden and the Netherlands.

The missile system is used by the U.S. navy's F/A-2 Sea Harrier jet fighters, while the German air force equips the system in its Tornado jets.

The Swedish air force use the AMRAM missiles with its Grippens jet fighters, and the Netherlands use them with F-16 MLUs

"The U.S. might be afraid that if they sell the missiles to Thailand, other countries will force them to sell the planes with the same conditions," said the source.

The RTAF now has squadrons of U.S.-made F-5s and F-16s. Those jet fighters can be armed with the AMRAM system, said the source.

The F/A-18 C/D jets can be used to support the Navy, as the jets can be armed with the Navy's Harpoon surface-to-surface missiles to attack enemy ships, according to the source.

If the U.S. sells the AIM-120 AMRAM missiles to Thailand, it will be the first country in the region to possess such high-tech weapons system.

The AIM-120 AMRAM is the latest model, replacing the AIM-7 used by both the U.S. air force and navy.

The system was deployed to the Gulf War, and successfully shot down Iraqi MiG-23 and MiG-29 jet fighters.

A Serbian G-4 Jet was also shot down by the AIM-120 missile in Bosnia, the source said.

The RTAF has purchased 18 F-16 jet fighters from the U.S. The last squadron of the Fighting Falcons arrived at Takhli Airbase, Nakhon Sawan, in October. Each jet costs about 20 million baht.

The Air Force has recently bought 16 L-39 light planes from Czechoslovakia for 2 training squadrons of the 1st Air Division in Nakhon Ratchasima.

Support for China's WTO Bid Tied to Dispute

*BK2712090295 Bangkok THE NATION in English
27 Dec 95 pp B1,2*

[Unattributed Report]

[FBIS Transcribed Text] The Transport and Communications Ministry is to ask the Thai government to withdraw its support for China's accession to the World Trade Organization if the Chinese government insists on launching its Apstar satellite into a position close to Thaicom-3.

The ministry's latest efforts reflect its desperate attempts to request China to change its orbital position after failing to sort out an agreement in talks.

A Thai delegation is scheduled to meet Chinese authorities between Jan 17-19 in Beijing to try and end the year-long orbital slot dispute.

China has stuck firmly to its stance of launching its Apstar-2 satellite at 121 degrees east, one degree away from the Thaicom-3 satellite.

The proximity could cause severe signal interference to both satellites. Satellites should be placed about three degrees away from each other, according to international standards.

A source at the Transport and Communications Ministry said the ministry's Post and Telegraph Department plans to seek the cooperation of the commerce and foreign ministries.

Linking the matter to trade relations is one possible way to ask the Chinese for a compromise. China is keen to join the multilateral trade forum.

"One possibility is that Thailand might block China's plan to enter the WTO by withdrawing its support or asking the Chinese authorities to compromise further and comply with the requirements of the world trade governing body," a source said.

But a business economics department official said that the department has yet to receive the proposal from the Transport and Communications Ministry.

The strategy is regarded as similar to U.S. measures to pressure China to cave in to U.S. demands in bilateral trade talks. The U.S. has linked market access to its support for China's accession to the WTO.

But Thailand's opposition to Chinese accession would not be as strong as that of the United States and the European Union, the department source said.

APT Satellite Co, the Hong Kong-based Apstar investor which is also backed by China, appears to hold the upper hand. It plans to launch a small satellite to occupy the

position in February before launching Apstar-2, which is under construction, later next year. Thaicom-3 is due to be launched in late 1996.

The ministry and Thaicom investor Chinnawat Satellite Plc (SSA) have asked the International Telecommunications Union [ITU], an international body overseeing orbital positions, to judge the conflict. But the ITU said it preferred to leave the matter to be worked out by the two parties.

Thailand has strictly followed the ITU's rules and regulations. In its previous orbital-slot fight with AsiaSat, Thailand complied with ITU's request for a first-come-first-served basis.

"AsiaSat officially filed the slot before Thailand so we consented to the rule. But this time we registered the position before China but the ITU has avoided providing help," the Transport and Communications Ministry source said.

According to Sethaphon Khusiphitak, deputy governor of the Post and Telegraph Department who is supposed to lead the Thai delegation, the department and the ministry expected their Chinese counterparts to follow the ITU's principles.

Dr Damrong Kasemset, SSA's senior executive, was quoted as saying in a previous interview that China has several other orbital slots in which it could locate the Apstar satellite and the 121 degree east position would harm both Thai and Chinese satellites.

Meanwhile, the ministry source said the Thai government would ask for the cooperation of the Malaysian government because SSA and its MeaSat satellite have a partnership.

'Technical Differences' Cited in Talks With Laos

*BK2912034995 Bangkok BANGKOK POST
in English 29 Dec 95 p 2*

[Unattributed report]

[FBIS Transcribed Text] Efforts to settle the Ban Rom Klao dispute were hampered by technical differences at the fifth Thai-Lao General Border Committee meeting yesterday.

Laos, which contends Ban Rom Klao is in Sayaboury province, wants the locality demarcated first but Thailand, which says the area is in Chat Trakan, Phitsanulok, wants the entire frontier defined.

The Thai side at the Bangkok talks said demarcation was being carried out by a technical committee but expressed hope that improved relations would hasten an agreement.

The talks to end the dispute, which escalated into an armed conflict in 1987-8, were chaired by Supreme Commander Gen [General] Wirot Saengsanit and Lao-tian Defence Minister Lt-Gen [Lieutenant General] Choummali Sai-gnason.

During the talks, the Laotian side claimed anti-Vientiane forces were using Thai soil as their operational base.

Pol [Police] Lt-Gen Phairot Nutchaya, who chairs a border peacekeeping subcommittee, denied the resistance forces were being helped in any way.

Instead, authorities had tried to push them out and hand them to Lao authorities, said Pol Lt-Gen Phairot, chief of the Supreme Command's directorate of joint operations.

Despite the technical obstacle, it was agreed to step up joint border patrols, particularly between Chiang Rai [Thailand] and Bokeo, Laos, and between Phayao, Nan, Phitsanulak and Uttaradit [Thailand] and Sayaboury [Laos].

Gen Wirot said local officials would meet more frequently, tougher measures would be taken against elements subverting relations and border problems would be dealt with as a matter of urgency.

Lt-Gen Choummali called for greater cooperation between subcommittees of the two sides and said Laos wanted continued joint patrols of the Mekong river to suppress smuggling and illegal crossing.

Karen Buddhist Group Launches Attack on Border
BK2912075195 Bangkok THAILAND TIMES
in English 29 Dec 95 p A1

[Unattributed Report]

[FBIS Transcribed Text] Tak — An eight-year-old girl was killed in an attack by a Burmese splinter rebel group Democratic Kayin Buddhist Army (DKBA) who opened fire at Thai Karen village at Tha Song Yang district, a district police officer said yesterday.

The girl, identified as Suda Panyasupa, was shot dead and her father, Supoa, was injured when the DKBA rebels on Wednesday night ambushed Takopi village and looted the villagers.

The DKBA is an armed wing of the DKBO (Democratic Kayin Buddhist Organization), which last year splintered from the mainstream rebel group, Karen National Union [KNU], after a munity against Christian leadership. The group is also loyal to the Burmese government troops, serving them as guides in attacking the KNU strongholds.

The DKBA has staged several raids on Karen refugee camps inside Thailand and Thai villages near the border.

The DKBA rebels, who are still at large, also kidnapped Supoa's 16-year-old son, Pricha, for ransom. The rebels ran away with gold ornaments, 4,000 baht cash from three Thai Karens in the village.

At least 30 DKBA men on Tuesday reportedly attacked Ban Cho Khro refugees camp, injuring two Burmese Karens and robbed 200,000 baht worth of property.

An immigration officer said the DKBA rebels crossed the border and easily committed the crime while Thai officials and volunteers at the camp could do nothing.

He said Burmese Karens in the camp as well as Thai Karens along the border have been living in fear because the incident could occur again at any time.

Takopi village is two kilometers away from Thai-Burmese border and only one kilometer far from Tha Song Yang police outpost.

Burmese Gunboat Attacks Fishing Trawlers

BK2612154095 Bangkok Thai Color Television
Channel 9 in Thai 1200 GMT 26 Dec 95

[FBIS Translated Text] Two Thai fishing trawlers were attacked by a Burmese gunboat in the Andaman Sea early this morning. They were intercepted and fired upon at a range of about three and a half miles off Phayam Island in Ranong Province. One trawler caught fire; its captain and crew jumped overboard. The trawlers were towed away by the Burmese gunboat. There were about 12 crewmen on board the trawlers.

Concerning the fishing problem with Malaysia, Prime Minister Banhan Sinlapa-acha says he believes there is a good trend concerning Malaysia's pledge to send back three captured Thai fishermen on 28 December.

Malaysia To Free Fishermen, Return Boats

BK2812054195 Bangkok BANGKOK POST
in English 28 Dec 95 pp 1,3

[Unattributed report]

[FBIS Transcribed Text] Malaysia has agreed to free three Thai fishermen detained since October 6 for trespassing in its territorial waters.

Prime Minister Banhan Sinlapa-acha told reporters that the three would be returned to Thailand along with two fishing boats captured by the Malaysian navy.

The Deputy Agriculture and Cooperatives Ministers Monthon Kraiwatnusun and Suwit Khunkitti, will head

a Thai delegation to receive the fishermen and the boats today.

The three were among five Thai crewmen captured on board the To Laksana 14 after it was shot at by a Malaysian naval boat on October 6. The skipper and his 14-year-old son were killed.

Two crew members who were under 14 have already been released.

Mr. Banhan said the Malaysian Cabinet resolved to free the three along with two other fishing boats captured earlier.

Kuala Lumpur has yet to inform the Thai Government of the size of the fine Bangkok will have to pay for the release of the crew members, Mr. Banhan said.

Before the news of Malaysia's agreement to release the Thai crewmen was known, fisheries associations in Southern provinces yesterday decided to temporarily suspend their plan to blockade the Gulf of Thailand.

The suspension was a New Year's gift for the Government, to give it more time and another chance to settle fisheries disputes with Malaysia, according to the chairman of Pak Phanang District Fisheries Association, Prathuang Thipphayamat.

Earlier, the fisheries associations said they would discuss plans to blockade the Gulf as part of their protest against the Government's failure to negotiate with Malaysia over last month's incident.

The suspension of the plan was agreed to yesterday after the chairmen of eight fisheries associations of Pattani, Songkhla, Pak Phanang, Khanom, Chumphon, Lang Suan, Satun, Trang and the owner of To Laksana 14 met yesterday in Pattani Province.

Mr. Prathuang said the move would give the Government time to negotiate with the Malaysian authorities over the remaining issues pressed by the associations.

The fishing operators earlier made five demands: the return of the bodies of the two Thais killed by Malaysia, the setting up of a joint committee to devise measures concerning the territorial waters of the two countries, the release of the Thai fishermen, the return of the seized Thai vessel, and compensation for the family of the skipper.

The first three points have been dealt with, and Malaysia agreed yesterday to release the crewmen. Only the demand for compensation for the family of the skipper has yet to be addressed.

In Nakhon Si Thammarat, about 200 trawlers were reportedly moored along Pak Phanang fishing pier early

yesterday morning awaiting the associations' resolution on whether to blockade the Gulf.

As for the trading situation at the fishing pier in Nakhon Si Thammarat, sources said the price of certain goods such as fresh mackerel and squid had doubled following the Gulf blockade threat. But trading activities at the pier were proceeding as normal.

National Security Council Secretary-General Gen [General] Charan Kunlawanit said Prime Minister Banhan Sinlapa-acha had formally requested that Malaysia free the Thai crewmen today as part of the celebrations of the 50th anniversary of His Majesty the King's ascension to the Throne.

Official Seeks Release Date of 300 Fishermen

*BK2712052795 Bangkok THE NATION in English
27 Dec 95 p A2*

[Unattributed report]

[FBIS Transcribed Text] Deputy Agriculture Minister Monthon Kraiwatnusun said yesterday he will ask Malaysia through the Foreign Ministry to confirm when more than 300 Thais jailed for illegal fishing in Malaysian waters would be released.

Malaysian Prime Minister Mahathir Mohamed had said earlier that his country would release the fishermen to commemorate the 50th anniversary of His Majesty the King's accession to the throne.

Monthon said he will ask Kuala Lumpur tomorrow for the exact date of the release of the group.

"We are not going to give a deadline for the release, but we only want to know the exact date," he said.

Meanwhile, Thai fishermen in the provinces of Pattani, Songkhla, Nakhon Si Thammarat and Surat Thani have vowed to cooperate in blocking the Gulf of Thailand in case Malaysia fails to meet their demands, the chairman of a fisheries association said.

Prathuang Thipphayamat, chairman of Pakphanang Fisheries Association in Nakhon Si Thammarat, said yesterday that all Thai vessels have been requested to return to shore to cooperate in sealing off the Gulf tomorrow.

"Fisheries from four provinces have promised to join the activity tomorrow," he said.

Kuala Lumpur has promised to release tomorrow three other Thai fishermen arrested from a vessel attacked by the Malaysian navy in November. The attack resulted in the deaths of two Thai crewmen and the seizure of

the vessel after Malaysia claimed it was fishing in its waters.

Meanwhile, Witthaya Kaeophapadai, chairman of the House committee on justice and human rights, said that he was confident that there would be no positive response from the Thai government when the deadline set by Thai fishermen was reached.

He was referring to the deadline of Dec 28 for the Malaysian government to meet the demands of Thai fishermen who would otherwise seal off the Gulf of Thailand. The demands included release of the vessel and a long-term solution to the fishing disputes.

"Both the Thai government and the fishermen are just sitting and waiting for an answer from the Malaysian government. I believe there will be no progress from Kuala Lumpur," said Witthaya, an MP from the Democrat Party.

The Malaysian navy's attack has threatened relations between both countries. Bangkok claimed that Kuala Lumpur should have handled the incident in a more lenient manner. The issue was raised between leaders of both countries when they met at the recent ASEAN summit in Bangkok.

Prime Minister Banhan Sinlapa-acha said Thailand and Malaysia would set up a joint venture on fisheries in order to minimize any future disputes after the New Year.

Trying to pacify fishermen who threatened to block the gulf, Banhan said that the authorities concerned were working to solve the problem, but since the incident occurred outside the country, dialogue through diplomatic channels was the appropriate way. "The procedure needs sufficient time," he said.

Monthon added that he will go to Iran next month to seek a market for the Thai fishermen.

Finance Ministry Reports FY96 Achievements

*BK2912051095 Bangkok BUSINESS DAY in English
29 Dec 95 p 2*

[FBIS Transcribed Text] Deputy Permanent Secretary for Finance Angkhani Worasap yesterday announced a report on the Finance Ministry's performance during first three months of the 1996 fiscal budget.

The Ministry of Finance indicated that it has endeavored to control inflation through its support of a balanced budget. Other measures undertaken by the ministry included allowing tax exemption from interest earnings on time deposits, and introducing a plan to further curtail the rate of inflation.

In addition, the Finance Ministry report cited the effort to establish new commercial banks as one of its achievements during the first quarter of the fiscal year.

Progress was also made in the area of decentralization through the means of local tax collection strategies, the report said.

The Finance Ministry pointed to the need for Thailand's membership in the Multilateral Investment Guarantee Agency (MIGA), and for provision to enable Thai investors who operate their business in overseas to be able to list their companies on the Stock Exchange of Thailand (SET).

The 30 billion baht fund to inject liquidity into the SET was also mentioned as a positive achievement by the Finance Ministry.

The Finance Ministry official did not refer to the fact that the liquidity injection plan has not been well received by borrowers.

The Finance Ministry cited its efforts to reduce the current account deficit as a positive achievement during the first three months of the fiscal year.

Finally, the Finance Ministry pointed to trade liberalization policies and procedures, including streamlining customs procedures, as yet another positive accomplishment for which it gives itself credit.

Prem Supports Military Modernization Program

*BK2912072595 Bangkok THE NATION in English
29 Dec 95 p A2*

[Unattributed Report]

[FBIS Transcribed Text] Privy Councillor Gen Prem Tinsulanon yesterday offered support for the defence minister's plan to set up a military satellite network and modernize the armed forces with other communications gadgets.

Former prime minister Prem said it was "good news" to hear that Defence Minister Chawalit Yongchaiyut wants to use technology to make the armed forces more effective.

Prem, a respected figure in military circles, was addressing a group of senior officers from the three armed services during a year-end gathering at his house.

"I would like to extend my admiration to Chawalit for planning to improve the effectiveness of the armed forces," Prem said.

The privy councillor said Chawalit's plan would boost morale.

"We know morale is very important for junior level soldiers. They need to be assured that their bosses care about them."

In a year-end interview, Chawalit said on Wednesday he will bring in high technology communications equipment like satellites, pagers and the Internet computer network to the armed forces.

The minister claimed he will be able to set up a military satellite communications system, which would be also used for remote sensing and reconnaissance, without depending on government funding.

The minister said he will have junior soldiers carry 30,000 pagers so they can more efficiently receive orders. Military commands may also be passed on by electronic mail using the Internet.

Chawalit would not elaborate on how such a satellite system would be set up.

Prem's support was followed by similar comments from senior military officials.

Navy Chief-of-Staff Adm Winai Intharasombat said he agreed a satellite network would greatly help the military.

Supreme Commander Gen Wirot Saengsanit said he too agrees with the satellite proposal, but he did not know the details.

The supreme commander said reporters must ask Chawalit how he intends to fund the new technology.

Earlier it was reported that the Banharn government is expected to look favourably on the proposed purchase of a military satellite, the "Star of Siam".

In a briefing for Defence Ministry officials in September, the Supreme Command argued that it needs the satellite to communicate effectively with troops and ships in remote areas.

A feasibility study is underway involving British Aerospace and Matra Marconi Space of France.

Proponents of the Star of Siam plan have argued that a dedicated military satellite, which would have a price tag of slightly more than Bt25 billion, is vital to ensure the combat viability of Thailand's advanced fighter squadrons and future airborne warning and control systems (Awacs).

Chawalit yesterday reiterated the Navy's need for two submarines to help protect the country's maritime borders.

The minister dismissed as "absurd" allegations that a prospective bidder for the contract bribed political

parties in advance of the July general election to secure the project.

But when asked why the Navy wants submarines when it cannot even protect Thai fishing boats from attack by neighbouring countries, Chawalit indicated the fishermen themselves were to blame.

He claimed the Navy knew all along that some trawlers were not operating "honestly".

"In a few years, Thailand's economy will be the biggest in the region and the Navy will have to protect those who make a living by honest means.

"We cannot protect those who act unlawfully," he said.

Defense 'White Paper' To Show Development Plans

*BK2812060495 Bangkok BANGKOK POST
in English 28 Dec 95 p 3*

[Unattributed report]

[FBIS Transcribed Text] The Defence Ministry is to produce a document giving details of Thailand's military development plans, it was revealed yesterday.

Defence Minister Chawalit Yongchaiyut said the Defence White Paper would help build trust among neighbouring countries since it will reveal national military strategies, future arms procurement plans and measures to reduce the size of the military.

Gen [General] Chawalit said a true understanding of Thailand's defence strategies would help reduce competition among countries in the region to keep huge stockpiles of weapons.

He said: "It is the intention of the Thai armed forces to show to neighbouring countries that we are transparent and open to them in running our military development."

According to Gen Chawalit, the white paper will be worked out from results of a seminar on military strategies of about 15-16 countries in the region.

The seminar will be held around January or February next year.

He said the Defence Ministry has already assigned the National Defence College and the Strategic Research Institute to work on the paper which will be published in Thai and English.

Thailand's military has maintained friendly relations with other countries although some of them may have come into conflict with it politically, he said.

He said he wanted military personnel in the region to meet every six months in order to keep good relationship.

"We don't want to have enemies. We want to make friends."

Gen Chawalit said Thailand will reduce the size of its military but at the same time increase the quality of its human resources in the armed forces and procure modern weapons to make the military "small but powerful."

Under the existing policy of cutting military personnel by half, Gen Chawalit said it is necessary for Thailand to buy more weapons to increase its capacity in safeguarding national security, particularly sea import and export routes.

He said Malaysia planned to procure 601,200-ton coastal patrol vessels, 300-400 tanks and a large number of armored tanks and aircraft.

"Aren't we afraid of them?" Gen Chawalit said.

He said the military would use its own budget in procuring weapons and would not ask the Government to slash part of the education budget for the purpose.

Gen Chawalit, however, said the defence budget has been gradually reduced and could drop to 1.9 percent of the total national expenditure next year.

He said he considered it would be dangerous to the country if the military budget was cut below two percent of the total budget. Neighbouring countries were normally allocated four-five percent, he said.

Gen Chawalit said the Army has plans to procure new rifles for soldiers since the current M-16 rifles have been in use for more than 30 years and have not worked efficiently.

And the Defence Ministry has also been studying a military satellite project.

He said the military would also try to raise money for the purchase of 30,000 pagers to distribute to military commanders to save on annual telephone bills.

And he said he would fully support the procurement of submarines by the Royal Thai Navy and a squadron of F-18 jet fighters by the Air Force.

Vietnam

Lao People's Party Delegation Makes Visit

BK2812153895 Hanoi VNA in English
1306 GMT 28 Dec 95

[FBIS Transcribed Text] Hanoi VNA Dec.28 — A delegation of the External Relations Commission of the Lao People's Revolutionary Party (LPRP) Central Committee led by Deputy Head Khamphet Phengmeuang has been here on a visit to Vietnam.

The delegation was received yesterday by Mr. Pham The duyet, Politburo member of the Communist Party of Vietnam (CPV) Central Committee and secretary of the Hanoi party committee.

The Vietnamese party official informed the guests of Hanoi's achievements in the economy, education, security, and social programmes. He also introduced experiences in organisational work and the implementation of CPV resolutions at grassroots level.

Mr. Khamphet Phengmeuang expressed his pleasure at Hanoi's fine development steps and stressed that the Lao people from all ethnic nationalities wished to share Hanoi's achievements and develop the Laos-Vietnam special solidarity.

The Lao party delegation is also scheduled to tour some industrial and agricultural establishments in Hanoi.

Received by Do Muoi 28 Dec

BK2812155795 Hanoi VNA in English
1501 GMT 28 Dec 95

[FBIS Transcribed Text] Hanoi VNA Dec.28 — General Secretary of the Communist Party of Vietnam Do Muoi received here today the visiting delegation of secretaries and deputy secretaries of party organisations in central and southern lao provinces.

The delegation is headed by Khamphet Phengmeuang, deputy head of the External Relations Commission of the Lao People's Revolutionary Party (LPRP) Central Committee.

The Vietnamese party leader welcomed Lao party officials' visit which, he said, would create favourable conditions for provincial leaders of the two countries to share experience in party work, thus contributing to the further consolidation and enhancement of the special friendship and all-sided cooperation between the two countries. He briefed the Lao guests on Vietnam's renovation process and preparations for the Eighth CPV National Congress in mid-1996.

General Secretary Do Muoi wished that the two countries' localities would actively implement agreements between leaders of the two parties, thus making the Vietnam-Laos relations to be further developed. He asked the Lao officials to convey his best regards to Mr. Khamtai Siphandon, Mr. Nouthak Phoumsavan and other lao party and state leaders.

For his part, the Lao party official conveyed to party Secretary General Do Muoi regards from LPRP Chairman and Prime Minister Khamtai Siphandon and President Nouthak Phoumsavan.

He spoke highly of the great achievements and valuable experience recorded by Vietnam in its current renovation process. He also assured the Vietnamese party leader of Lao leaders' efforts to consolidate and develop the special friendship and solidarity between Laos and Vietnam.

MOU Signed With Thailand on Refugee Issue

BK2912021495 Hanoi VNA in English
1322 GMT 28 Dec 95

[FBIS Transcribed Text] Hanoi VNA Dec.28 — A memorandum of understanding (MOU) on agreements and principles relating to repatriation from Thailand of Vietnamese who do not have refugee status was signed in Bangkok on Dec.26.

Signatories were Vietnamese Ambassador to Thailand Le Cong Phung, vice standing secretary of Thailand's Foreign Ministry Sarot Chawanawirat, and deputy resident representative of the United Nations High Commissioner for Refugees in Thailand Pierre Von Gunten.

Speaking at the signing ceremony, vice standing secretary S. Chawanawirat described the MOU as a strong manifestation of common efforts by relevant parties over the past 20 years for a humanitarian solution to the problem.

Since 1975 when southern Vietnam was liberated, 160,239 Vietnamese took refuge in Thailand, with 145,737 now settled in third countries and 11,923 voluntarily returning to Vietnam. At present about 5,000 Vietnamese are residing in Thailand.

Cambodian War Veterans Delegation Visits

BK2812154495 Hanoi VNA in English
1532 GMT 28 Dec 95

[FBIS Transcribed Text] Hanoi VNA Dec.28 — A delegation from the Cambodian Ministry of Social Action and Veterans' Affairs led by Secretary of State Suy Sem called at the Vietnam War Veterans' Association yesterday.

Lieutenant-General Tran Van Quang, president of the Vietnam War Veterans' Association (VWVA) warmly received the delegation. Vice- Minister of Labour, War Invalids and Social Affairs Nguyen Luong Trao and the Cambodian counsellor were also present at the reception.

Mr. Tran Van Quang welcomed the delegation's visit as a new landmark in the relations between the two war veterans' associations and expressed gratitude to the Cambodian people for their assistance during Vietnam's resistance wars. He also expressed his pleasure at the

fine results of the recent Vietnam visit by Cambodian King Norodom Sihanouk.

For his part, Mr. Suy Sem expressed his admiration and gratitude to Vietnamese officers and combatants who fought and laid down their lives to liberate Cambodia from the genocidal regime, and highly appreciated the founding of the VWVA as well as its achievements, considering them useful experience for the building of the Cambodian War Veterans' Association.

Finance Minister Welcomes Iranian Investment

LD2712070195 Tehran IRNA in English
0652 GMT 27 Dec 95

[FBIS Transcribed Text] Kuala Lumpur, Dec. 27, IRNA — Vietnamese Minister of Finance, Ho Te said in Hanoi Tuesday that his country's doors are open to Iranian companies and investors.

Speaking in a meeting with Iran's ambassador to Hanoi, Kamal Sajjadi, the Vietnamese minister added that the two countries enjoy close and friendly relations.

Ho Te said that Hanoi welcomes welcome Iran's cooperation in various fields of heavy industries, infrastructural projects as well as oil industry.

Positive impacts of the recent trip of an Iranian economic delegation to Hanoi were also discussed by the two officials.

Assembly Chairman Receives German Legislator

BK2612103195 Hanoi Voice of Vietnam in English
1000 GMT 22 Dec 95

[FBIS Transcribed Text] National Assembly Chairman Nong Duc Manh on Thursday [21 December] received in Hanoi Dr. Rudolf Kabel, general secretary of the German national assembly, who is on a visit to Vietnam.

Chairman Manh welcomed the Vietnam visit as the manifestation of the fruitfully growing relations between the two legislatures. He believed that the exchange of visit of the two bodies will contribute to increasing mutual understanding as well as tightening the friendly and cooperative ties between the two countries. He also availed himself on this opportunity to ask Mr. Kabel to convey his invitation for a Vietnam visit to the German national assembly speaker.

Dr. Rudolf Kabel expressed his pleasure at Vietnam's achievements in the renovation process. He spoke highly of the well-trained staff of the Vietnamese National Assembly Office, and believed that cooperation between the two legislatures would be more fruitful.

Eighth Party Congress Slated for Mid-1996

*BK2912105395 Hanoi Voice of Vietnam in English
1000 GMT 29 Dec 95*

[FBIS Transcribed Text] The eighth congress of the Communist Party of Vietnam will be held in mid-1996. This was decided after Wednesday meeting of the party Central Committee.

The congress will review the implementation of the resolution of the seventh party congress, and renovation policy of the party in the 10-year period from 1986-96.

Cabinet Discusses 1996 Socioeconomic Plan

*BK2812154195 Hanoi VNA in English
1532 GMT 28 Dec 95*

[FBIS Transcribed Text] Hanoi VNA Dec.28 — The Cabinet met in Hanoi from Dec.27-28 to discuss measures to carry out the 1996 socio-economic development plan which has recently been approved by the ninth National Assembly.

At the year-end meeting which was held under the chairmanship of Prime Minister [PM] Vo Van Kiet, Cabinet members heard a report 'reviewing the government's guidance and management in 1995 and its working programme in 1996' presented by Minister and Head of the Government Office Le Xuan Trinh'.

They also heard reports on 'some main solutions to implementing right at the first quarter the socio-economic development tasks for 1996' presented by Minister of Planning and Investment Do Quoc Sam, and 'some ideas on the administrative reform in 1996'.

After debating how to successfully carry out the National Assembly's resolution on socio-economic tasks to be done next year, the Cabinet made recommendations to the 1996 working programme of the government which would focus on the programming and plan for production development the management of finance and monetary issues and markets, cultural and social activities diplomatic and external economic activities national defence, security, and social order and administrative reform.

The government mapped out decisions and solutions to tackle some unsolved problems left in 1995 and to keep price under control, particularly in the first quarter of 1996.

Addressing the closing session, PM Kiet put stress on the development of food production, calamity prevention, practice of thrift, price and market stabilization and maintenance of laws and social order in preparation for the eighth national party congress.

Premier, Officials Attend Binh Bridge Opening

*BK2512073295 Hanoi VNA in English
0515 GMT 25 Dec 95*

[FBIS Transcribed Text] Hanoi VNA Dec. 24 — The Binh Bridge, across the Thay River in the northern province of Hai Hung, was opened to traffic today.

Prime Minister Vo Van Kiet attended the inauguration ceremony organised by the Ministry of Transport and Communications, the People's Committees of Hai Hung and Quang Ninh Provinces.

Also present at the event were Minister of Transport and Communications Bai Danh Luu, Minister of Planning and Investment Do Quoc Sam, Director General of the National Administration of Tourism Do Quang Trung, and leading officials of the two provinces.

The 333-metre long and 10-metre wide bridge was built at a cost of VND 38 billion (over USD 3.4 million). This is the sixth bridge built by the Thang Long Bridge Construction Corporation this year.

Together with the inauguration of the Binh Bridge, the upgrading of Highway 5, the Phu Luong and Lai Vu Bridges, and Road 183 is underway, thus contributing to the improvement of the traffic system of the Hanoi-Haiphong-Quang Ninh key economic triangle zone in the coming years.

Acceleration of Administrative Reforms Urged

*BK2412091595 Hanoi VIETNAM INVESTMENT
REVIEW in English 27 Nov-3 Dec 95 p 2*

[National Affairs Desk" by Nguyen Tri Dung]

[FBIS Transcribed Text] Vietnam's leadership is to accelerate its administrative reforms to meet the demands of the renewal process and achieve ambitious development goals set for 2000.

The country's administrative system is burdened by casual and illegal management practices and the country has failed to establish a legal environment in which every citizen and organisation can be ensured protection from the administrative apparatus.

Faced with such a situation, the country's leaders have insisted on a major reorganisation of the administrative structure and restoration of order in its activities.

The administrative shake-up will take on three basic tasks: reform of the administrative institution; readjustment of the administrative organisation; and building a national civil service structure.

However, due to the sensitivity of the issue and the impact the action might have on the interests of many

people, Vietnamese leaders while calling for accelerated reforms, have kept a skeptical attitude on concrete steps to be adapted.

At its last meeting, the National Assembly passed a Government proposal to streamline the administration by merging eight ministries and State committees into three new organisations and reshuffling some members of the Cabinet.

"The central Government will from next year continue pursuing the goal to readjust the organisational structure of the administrative apparatus from the central to the grassroots level by reducing the number of ministries and ministerial offices," Vice Premier Nguyen Khan, who is in charge of making administrative reforms, said.

Streamlining government has been top of the administration's agenda since the start of the year, when the Government committed itself to improving regulations on foreign direct investment, construction and land-use permits, allocation of the State Budget for capital construction, and the settlement of citizens' claims and protests against State offices and civil servants.

According to a Government source, after reviewing the results of the first steps, efforts will be made this year to reform regulations on export/import activities and the establishment and the registration of new businesses.

The same source claimed that a lot of paperwork and red tape had already been removed. But implementation of new procedures has been described by the government itself as slow and not serious.

"Incompetence, harassment, trouble making and inconvenience are far from being reduced," Khanh said.

Khanh said that the implementation of administrative reform has revealed that such changes could only be a success if they relate to the whole of economic reform as well as to all other issues closely related to the institution, such as its organisational structure, the mechanism of the system and qualities of the State civil servants. The leadership realises more clearly than ever the need to form a structure of professional administrative personnel capable of performing their duties.

"The training and retraining of civil servants has emerged as the most heated issue and the key to the success of the whole administrative reform," Khanh said.

He said some 8,200 civil servants had so far been retrained by the National Administrative Institute and that by the end of the year the Government would submit a draft on the Ordinance of the State Civil Servants, which would define their duties and responsibilities, for National Assembly approval.

Khanh added that some 8,700 civil servants would be retrained next year, including many senior Government officials at both central and local levels. The ordinance will also stipulate terms and conditions regarding civil servants' recruiting, training, salaries, discipline and duties, and the responsibility of State offices to recruit their employees through serious examinations.

The hundreds of thousands of unanswered citizens' complaints against State officials illustrate the need for swift reform.

At its last sittings, the National Assembly passed a resolution calling for the setting up of a labour and an administrative court. But according to a source close to the law-making body, these new courts will be a long time coming, as time has to be spent in judges' training.

In order to help improve the legal environment, the central Government has drafted a series of new laws, including the Civil Code and State Budget Law, the Co-operative Law, the Construction Law, and has amended the taxation system the Foreign Investment Law among others.

But according to Khanh: "Despite some progress, the building of a new legal institution is lagging behind the renewal process and many heated sectors are still left without timely moderation.

"The law is not seriously observed, violations are left without being detected, judged or punished severely. Habits of eluding and ignoring the law are not only the matters involving ordinary citizens but State offices, civil servants and people of position as well.

"Many administrative offices are not regarding the maintenance of order and discipline as an important duty. Some of them, because of their own interests, have ignored and even connived at breaking the law," he added.

The truth of the past 10 years has revealed that there is a close relation between the economic reform and the administrative reform. Policies, orientations and measures of economic reform must support and go in line with the administrative reform and vice versa.

Son La Province Admits 1,890 New Party Members
BK2612144895 Hanoi Voice of Vietnam Network in Vietnamese 0500 GMT 25 Dec 95

[FBIS Translated Text] Party committees in Son La Province have admitted 1,890 new party members this year, an increase of 700 new members over 1994. Some districts such as Moc Chau, Yen Chau, Quynh Mai, Mai Son, and Song Ma have tripled the number of new members over 1994. It is noteworthy that the

structure and quality of new members has been given attention. Female members account for 11 percent, ethnic members account for 73 percent, youth members account for 37.9 percent, and those with a tertiary education account for 10 percent of the total number of new party members.

The work to increase the number of party members working in the education sector has been given more attention than in previous years. The province has more

than 57 percent of its basic party organizations regularly performing party building work well. Therefore, in rural and highland areas, the situation in which there were no party members in many mountainous hamlets and schools has been overcome.

Party committees in Son La are holding training courses for would-be members to prepare for admission on 3 February.

Australia

Government, Opposition Condemn French Test

*BK2812093495 Melbourne Radio Australia
in English 0630 GMT 28 Dec 95*

[From the "International Report" program]

[FBIS Transcribed Text] Well first to the Pacific, and France's fifth nuclear test in the region — which was detonated earlier today — has been condemned in Canberra despite its timing, finding many in the political circle away from the Australian capital largely because of the summer holiday. From Parliament House, our national affairs correspondent Stuart Heather reports:

[Begin recording] [Heather] The growing heat of the summer's day brought news to the Australia capital of France's latest nuclear test. Between the Christmas and New Year celebrations, many Caberrans are on holiday and political leaders away taking advantage of the summer recess of Parliament. The foreign minister, Gareth Evans, is off duty and the acting foreign minister, Gordon Bilney, responded to the French test via long-distance telephone:

[Bilney] We have indeed already made a protest by (?telephoning) the charge of the French Embassy this morning in Canberra since I heard the news and reiterated Australia's strong protest at this continued defiance by France of the will of the international community.

[Heather] The opposition foreign affairs spokesman, Alexander Downer, said the timing of the test — soon after the global Christian celebration of Christmas — was particularly insensitive:

[Downer] Well, it is a particularly insensitive time to conduct the test. This is an act of appalling arrogance by the French Government to conduct the fifth test; to do so between Christmas and New Year. As the fact is, though, by conducting these tests the French are basically undermining the whole of the international nonproliferation effort and they are also causing a serious environmental risk. So it's irresponsible thing for the French to do. The timing is exceptionally bad and it is an act of appalling arrogance.

[Heather] France's ambassador in Australia, Dominique Girard, is not even in Canberra to play his usual role. Instead, it fell to France's charge d'affaires — that is, the acting ambassador, Alain Maurois — to be called into the Foreign Affairs Department to hear Australia's protest from the acting head of the department. Mr. Bilney noted reports that fifth test had been scheduled for earlier date in December but postponed so it is not apparently to coincide with the widespread union

protest within France at that time. However, Mr. Bilney said, his earlier conversation with the French charge by telephone revealed the intriguing possibility that France may not proceed with its planned sixth, final, and possibly largest nuclear test:

[Bilney] He said that France... [pauses] There may not be a sixth test if the data that the French have collected from this fifth test is sufficient to allow the (?computer) simulation. When I explored that with him, however, he would not go beyond the well-known French decision that when they got the data they will stop testing but not before. At which, of course, I expressed great disappointment.

[Lyndall Curtis] Are you at all hopeful that this will be the end of the testing program?

[Bilney] Well, I suppose you can always hope, but I can't say that I am optimistic.

[Heather] Australia's acting foreign minister, Gordon Bilney, talking to Lyndall Curtis. Emerging from his audience at the Foreign Affairs Department, France's charge d'affaires gave no indication to reporters of the possibility of there not being a sixth test:

[Maurois] Well, the official declaration in France has been — and from the president himself — was that there could be another one and could be six tests altogether, and this could end at the end of February. So this is the limit.

[Heather] France's charge d'affaires, Alain Maurois. In Canberra, this is Stuart Heather for international report. [end recording]

Reportage Views Benefits of Pact With Indonesia

'Smooth Out' Potential Friction

*BK2812161595 Sydney THE AUSTRALIAN
FINANCIAL REVIEW in English 15 Dec 95 p 24*

[Editorial: "Treaty Is Right For Australia"]

[FBIS Transcribed Text] The proposed treaty alliance between Australia and Indonesia is both an important initiative in itself and a symbol of the ability of the Prime Minister, Mr Keating, to keep on driving Australia into a new, more creative era of policymaking.

While there have been plenty of signs that the Federal Government has become tired and lacklustre in such key areas as industrial relations and overall micro-economic reform, yesterday's surprise treaty announcement is a reminder that it retains the ability to generate important change across a broad range of policy areas.

The recent statements on innovation and housing, both of which contained a range of potentially valuable initiatives, were modest reminders of this fact. Yesterday's treaty announcement was a much more dramatic and forceful one.

That these announcements have as much to do with the forthcoming Federal election as with a pure commitment to creative policymaking doesn't detract from the way that the Government, in stark contrast to the Opposition, is showing a reinvigorated ability to set the policy agenda.

Not, of course, that everyone will agree with the proposed security treaty with Indonesia. Those who have become obsessed with the problems that continue to engulf East Timor are likely to be the most vocal critics. Others will worry about the tendency for the Indonesian Government to use its armed forces more as a weapon of internal control than as a genuine arm of defence.

These are legitimate concerns. They must, however, be kept in perspective. Although it is crucial that Australia maintains its commitment to human rights, it has to do this within the context of its broader security needs.

Expressing our concerns about Indonesia's behaviour in East Timor is one thing; allowing that issue to sour all our relations with our most powerful near neighbour is quite another.

Asked about East Timor yesterday, Mr Keating rightly responded: "We'll do no service to Australian interests or the interests of the people of Indonesia were this to become a single-issue relationship, and I don't think any service to the people of East Timor either."

However, not everything Mr Keating had to say on the alliance can be supported. In particular, his claim that Indonesia is now more important to Australia's security than the United States is wrong. Given the vital role the US plays in maintaining a regional balance of power, it should, at the very least, be regarded as being of equal importance to us.

That Mr Keating doesn't appear to understand this reality suggests he is taking an excessively narrow view of Australia's security needs, in the process failing to understand how our peace is ultimately dependent on maintaining peace in the wider region.

As for the security alliance itself, the Opposition quite sensibly came out quickly in support of it. Less sensibly, it looked for some way to find fault with the details, arguing that its wording left open the possibility of Australia being dragged into internal Indonesian problems.

Such criticism is a case of drawing a very long bow. While the treaty does, indeed, refer to the two parties consulting in the case of "adverse challenges" — not external challenges — this should be seen as a positive aspect, not a problem. Far better to have a chance to consult with Indonesia if it is facing a major internal problem than be left in the position of having to keep our distance for fear of interfering in another nation's affairs.

Yet this, of course, is not the key issue. Rather, the most important aspect of the treaty is the way it gives a formal framework to the special relationship that has developed between Indonesia and Australia since Labor came to power.

That change of government didn't mark some sort of sharp break with the past. It did, however, usher in a new foreign policy mindset in Canberra, one that increasingly placed the primary emphasis on building close, co-operative relations with our Asian neighbours, in particular Indonesia.

The most tangible result until yesterday had been the increasingly close defence co-operation which has developed between Australia and Indonesia.

It is a policy that has now produced a formal security alliance an initiative that demonstrates just how close these relations have become. After all, Indonesia has long maintained a strongly non-aligned foreign policy stance eschewing all formal security alliances. The Australian-Indonesian Agreement on Maintaining Security marks an important break with that approach.

The challenge now will be to ensure that the agreement provides a mechanism that helps smooth out potential friction between the two countries rather than becoming a source of possible tension. As with all foreign policy achieving that goal will require astute ongoing diplomacy.

'Positive' for Business Relations

*BK2812151495 Sydney THE AUSTRALIAN
FINANCIAL REVIEW in English 18 Dec 95 p 13*

[Article by Greg Earl: "Outlook for the Economy"]

[FBIS Transcribed Text] Having the only security agreement with a country where the military plays a key role in politics and business from Jakarta's CBD [central business district] to the smallest village should be positive for Australia's broader business relations with Indonesia.

Australian businesspeople who have been dealing with Indonesia for several years say that the climate has

changed immeasurably since the Prime Minister, Mr Keating, visited Jakarta on his first overseas trip.

There are now about 190 approved Australian investments in the country and about 240 companies with a registered presence — a growth of about 20 per cent in the past year.

Australian business interest in Indonesia has clearly soared in the past two years, drawn by the country's two decades of consistent 6 per cent annual economic growth creating a middle class market which, by some estimates, is approaching the size of Australia's population.

Surveys by Coopers & Lybrand of small companies and Price Waterhouse of listed companies earlier this year both indicated that Indonesia was the preferred overseas business destination for Australian companies.

Indonesia ranks as Australia's 10th largest export market with exports growing 11 per cent to \$2 billion [Australian dollars] last year and Australia is Indonesia's 10th largest foreign investor with approved investment of more than \$US6.5 billion. But, according to FINANCIAL REVIEW estimates, the 20 largest Australian investors have actually invested about \$2.3 billion.

After a promising start with some mining and manufacturing ventures in the early years of the Suharto Government, Australian business involvement slumped in the early '80s as political relations cooled.

While the political relationship has always set the climate for business, it wasn't until the two countries unilaterally opened their economies in the late '80s that the prospects for a long-term economic relationship really emerged.

Now Indonesia is projected to become Australia's biggest market for services exports early next century and Australia is becoming a major tourism and education destination for Indonesians.

Later this week, Indonesia is to unveil the latest in its regular series of packages of economic deregulation measures, which will provide an important indication of whether the pace of economic reform is being sustained.

Last week's security agreement had some of the hallmarks of the radical economic initiatives that have been unveiled to date, although many independent analysts believe that the pace of economic reform is now under threat from differences within the government and a core of politically influential businesses.

Further on Trade Prospects

BK2912103395 Sydney THE AUSTRALIAN
FINANCIAL REVIEW in English 18 Dec 95 p 13

[Article by Jakarta correspondent Greg Earl: "How Indonesia Saves From Security Pact"]

[FBIS Transcribed Text] When Gareth Evans puts his signature on Indonesia's first mutual security treaty this morning he will also be underlining the way security issues have reemerged as a factor in the region's continued economic growth.

Five years after the end of the Cold War and the arrival of the fashionable idea that traditional military rivalry was being replaced by trade competition, many countries are again pondering how their economic prospects could be endangered by military conflict.

But the two spheres of policy are now more intertwined than when two heavily armed superpowers glared at each other across the globe.

Indonesian economist Dr. Mari Pangestu says the business significance of the Agreement on Maintaining Security between Australia and Indonesia is that it demonstrates the reemergence of security concerns in regional affairs.

"After the end of the Cold War we all started thinking that economics would be the glue that kept us together," he said. "That's why we started on AFTA [ASEAN Free Trade Area]."

"But now security is coming up again so that the two are locked together."

While much of the comment in Australia on the agreement has concentrated on its secrecy and what sort of conflicts it might take Australia into, the Indonesian reaction has had a distinctly more economic flavour.

That might reflect the fact that the security agreement represents a much greater change of diplomatic philosophy for Indonesia than for Australia because Indonesia has traditionally eschewed defence alliances as part of its independent foreign policy approach.

President Suharto has much less need to grandstand over a diplomatic coup than an Australian government facing an election but Indonesia also has much more recent memories of how an unstable regional military situation can undermine economic development.

Mr Suharto's point man in the negotiations with Australia, State Secretary Mr. Murdiono, has emphasised the security link to economic development saying: "Without national, regional and international stability, development cannot possibly proceed."

It is a point that has been emphasised by some other Indonesian commentators on the agreement. House of Representatives foreign affairs specialist, Aisyah Amini, said the agreement would allow Indonesia to concentrate on economic welfare because a lack of security forced a country to devote substantial resources to defence.

The announcement of the agreement by the prime minister, Mr. Keating, during last week's summit of Southeast Asian leaders in Bangkok appears to have been purely coincidental. But while it surprised Indonesia's ASEAN partners, it does slot into the way the group has a new concern to ensure its decade of growth is not upset by new security concerns.

At its last summit in 1992 ASEAN embarked on a free trade zone in the belief that its old rationale as an anticommunist wagon-circling exercise was no longer relevant in the new world capital order of global business. Since then a greater awareness of the way security and economics are mutually reinforcing has emerged. The region's new security mechanism, the ASEAN Regional Forum [ARF], was made possible only by the way economic success has reduced old rivalries and demonstrated the value of co-operation.

But now the ARF is up and running it is likely to eventually deal with issues like piracy and navigation that will have a crucial bearing on the trade flows that have been the lifeblood of Asia's recent economic emergence.

While the region is clearly more free of major wars than it has been for decades, some observers see the prospect of new tensions emerging over issues like environmental management and cross-border migration. "The whole of Southeast Asia, with its social heterogeneity and history of societal incohesion, is and will continue to be particularly vulnerable," Thai strategic analyst, Professor Sukhumphan Boriphath, argues.

The sudden arms build-up in Southeast Asia (although not in Indonesia) has also underlined the need for more open security discussion so that government financial resources can be directed to more productive areas of the economy.

As Australia was adding a security leg to its fast-growing economic relationship with Indonesia, last week the region's other major countries were moving to head off conflict in Indochina where tensions over resources may emerge in the future.

The plan for joint development of the Mekong River delta underlined the emerging recognition that the region's recent high growth will only be maintained with more efficient infrastructure development, increased trade and the avoidance of border tensions. This sort

of cross-border economic development has become all the rage in Southeast Asia as a way to prevent enormous disparities developing across lines on a map.

Some observers say they play just as much role in enhancing security as economic development which raises interesting questions over whether today's agreement will improve the prospects of Indonesia's plan for a growth zone with Australia encompassing Indonesia's eastern provinces and perhaps Papua New Guinea.

Military Cooperation Highlighted

BK2912100195 Sydney THE AUSTRALIAN
FINANCIAL REVIEW in English 15 Dec 95 p 24

[Article by Commodore Alan Robertson, national president of the Australia Defense Association: "Indonesia Security Pact is Good for Both Countries"]

[FBIS Transcribed Text] Geography insists that Indonesia is central to Australia's security. Half of Australia's export tonnage passes through Indonesian waters as does a large proportion of our imports. The security of those sea lines of communication is a defining national security interest.

Similarly, an immense volume of air traffic bound to and from Australia flies over Indonesia. Increasingly much of the traffic comprises high-value or perishable cargo rather than tourists or business people.

At the same time, opinion polls suggest that most Australians see Indonesia as our most likely enemy — hardly surprising given that Indonesia is our nearest neighbour with 11 people, mostly poor, to each Australian.

There is an instinctive feeling that neighbours tend to fight and that Australia's wide-open spaces are attractive to land-hungry Indonesians. Moreover, the continuing conflict in East Timor has ensured that relations at the headline level remain somewhat poisonous.

Indonesia's incompetent handling of its East Timor problem has encouraged too many in Australia to regard that issue as the single determinant of Australian-Indonesian relations.

The reality is that, with Indonesia's rapid modernisation, Australian-Indonesian relations now have a depth and breadth across economic, commercial and cultural dimensions which will continue to grow. Indonesia is already looking to Australia as a source of high-technology solutions to many of its developmental problems.

At the same time, the notion of hordes of land-hungry Indonesian peasants flocking to overrun Australia is one

which has no more substance than the nightmares of the rabid Right.

The reality is the land shortages exist only in Java but the Indonesian Government's transmigration program to resettle Javanese in the sparsely populated outer provinces has failed. Yet those provinces are climatically much more attractive than Australia even supposing that these allegedly restless millions could get here.

There have always been Australians in government and outside who have seen a good security relationship as vital to Australia's security. At least as long ago as the 1960s, private groups in Australia set out to develop relations with parallel groups in Indonesia with the aim of building a security consensus.

From the early '80s, the Australia Defence Association among others actively sought contacts in Indonesia on a presumption that a de facto alliance whatever it might be called, was good for both countries.

Officially, Australia's post Vietnam isolationism tended to focus military attention on Indonesia as Australia's most probable adversary. Military exercises fought notional enemies from "Kamaria", a mythical nation located somewhere within the Indonesian archipelago.

The navy always had a different view; it understood — as our mostly continental strategists did not — that Australia's well-being was and always would be dependent in large degree upon Indonesian benevolence.

The 1986 Dobb Report took as its strategic rationale the need for Australia to defend itself from small-scale raids on the remote north from some unknown enemy. The problem was that such raids could only be mounted by or with the connivance of Indonesia. The strategy (for which Dobb was not responsible) was seen by Indonesia as an affront which, however innocently, it was.

Moreover it was a declaration of Australian isolationism which also angered our allies including the United States, Malaysia and Singapore as well as such friendly nations as Japan and the Philippines. As a demonstration of national immaturity, it could hardly have been bettered.

The howls of protest from our friends quickly generated a sea change in official Australian attitudes. As well as mending fences with our friends, however, key Australian officials set out to develop close personal relations with their Indonesian counterparts. As the Prime Minister pointed out yesterday, General Peter Gration then Chief of the Defence Force, played a vital role as did his deputy and successor Admiral Alan Beaumont. Gration's friendship with General Try Sutrisno, now Indonesia's Vice-President was a key

factor in developing a climate of trust between the military leaderships of both countries.

These relationships have now spread through many levels of both defence establishments, although they are probably best developed between the two navies. Exchange programs, joint exercises, extensive consultations and even sharing of some maritime patrol tasks have become almost routine.

Other regional security developments such as the official ASEAN Regional Forum and the non-official Council for Security Cooperation in Asia-Pacific owe much to the enthusiasm and leadership of Australia and Indonesia.

While the two foreign ministers, Gareth Evans and Ali Alatas, have properly been given much credit for these developments, they also owe much to that broad network of contacts and friendships which have grown up over the past 15 years or so.

The Australian-Indonesian Agreement on Maintaining Security that will be signed next Monday merely puts into formal language a relationship which has been growing rapidly for the benefit of both countries.

Further on Military Ties

BK2912102095 Sydney THE AUSTRALIAN
FINANCIAL REVIEW in English 20 Dec 95 p 15

[Article by Dr. Harold Crouch: "Another Symbol of Strengthening Ties"]

[FBIS Transcribed Text] Most security treaties are designed to protect signatories against threats posed by a common potential enemy. The main point of the Indonesia-Australia agreement, however, is to declare that Indonesia and Australia are not potential enemies.

Australians have in the past perceived Indonesia as a potential threat, and Australian military exercises have sometimes envisaged an attack from an imaginary country resembling Indonesia.

In fact Indonesia's capacity to launch a direct attack has always been limited. Although its army is many times larger than Australia's, most of its troops are occupied with internal security and are not available for external operations. On the other hand Australia's air and naval forces are far superior to Indonesia's.

Indonesia, of course, could cause considerable problems for Australia. The Indonesian military could disrupt Australian shipping and air communications, knock out Australian oil rigs, and probably land troops on Australia's northern coast. But such conflict could only occur as part of a wider breakdown in relations. It is one

of the purposes of the treaty to ensure that this does not happen.

Australia's relations with Indonesia have developed in a way that could hardly have been imagined several years ago. The warm personal relations between leaders have been backed by growing political, economic and defence ties.

Australia has worked closely with Indonesia in negotiating a settlement in Cambodia, in establishing the ASEAN Regional Forum, and in shaping APEC [Asia-Pacific Economic Cooperation]. The strengthening of the defence relationship cannot be understood in isolation from these developments.

It was Australia that took the initiative in the negotiations which led to the signing of the new treaty. Indonesia, on the other hand, showed some reluctance to commit itself to what might be interpreted as a formal security pact.

Indonesia's "independent and active" foreign policy is part of the national ideology. The Suharto regime has resisted pressures to align itself with the West, and has opposed proposals to turn ASEAN into a military pact despite strong bilateral military ties with most ASEAN countries. The "security agreement" with Australia therefore comes as a surprise.

The sensitivity in Indonesia is obvious from the pains taken by the Foreign Minister Ali Alatas and State Secretary Murdiono to explain that the agreement is not a military pact or a military alliance but only amounts to the formalisation of existing arrangements.

Senator Evans helped the Indonesians minimise the agreement's implications when he claimed that consultations would concern issues such as terrorism, narcotics and piracy. Alatas nominated tensions on the Korean peninsula, between China and Taiwan and over the Spratly Islands as the kind of issues that might be addressed.

The joint military involvement of Australia and Indonesia in the first two issues is of course totally out of the question, and neither has a direct interest in the Spratlys.

It is very unlikely that Australian forces will ever be called upon to assist in repelling an invasion of Indonesia and even less likely that Indonesian troops would be asked to come to Australia's assistance.

It is possible, however, to imagine circumstances where the two countries might consider joint action to deal with an "adverse challenge". Perhaps the most likely scenario involves a break-down of order in Papua New Guinea [PNG]. In that case Indonesia might be more inclined than Australia towards military intervention.

One of the reasons the ASEAN nations have avoided formalising their network of bilateral military relations is that they do not want to antagonise China, and some commentators have suggested the Australia-Indonesia treaty might do so. While a formal pact among ASEAN countries along China's southern borders might be regarded by China as provocative, the combined military resources of distant Indonesia and Australia are hardly sufficient to disturb China.

Critics have raised the differences in fundamental political values between the Australian and Indonesian governments as obstacles. To the extent that the treaty's main purpose is to reduce the likelihood of conflict between the two, the difference in values is a reason for, not against, the treaty.

Serious problems could arise, however, in formulating common measures to deal with adverse challenges such as the PNG scenario.

Concerns have also been expressed about the risk of Australian forces being drawn into domestic conflict in Indonesia. But it is inconceivable Indonesia would call on Australian forces to help put down a domestic uprising. Its own army is trained and equipped primarily for that purpose and is not short of manpower.

However, it is to be hoped that the provision of military training and equipment under the new agreement will not enhance the capacity for domestic repression.

Regional Implications Noted

BK2912095995 Sydney *THE AUSTRALIAN FINANCIAL REVIEW* in English 20 Dec 95 p 15

[Article by Bob Lowry: "What the Jakarta Pact Means"]

[FBIS Transcribed Text] The Indonesia-Australia security agreement is a symbolic marker in the evolution of the regional security environment since the end of the Cold War.

The principal question mark for regional security planners is the future shape and direction of China. Will the "middle kingdom" try to reassert its long-lost regional hegemony or will it fragment, bringing different security concerns.

Indonesia, with half Australia's GNP and 10 times as many people to share it, has long regarded China as the only country that has the potential to threaten its security in the longer term. China's burgeoning economy provides the resources for plans to upgrade and re-equip its armed forces with modern weapon systems and to improve and expand its increasingly potent nuclear arsenal.

At the same time, United States commitment to the region is seen to be declining despite its retention of large forces in East Asia.

To address this environment Indonesia has adopted the two-track strategy of trying to woo China into the regional community as a co-operative and responsible member through bi-lateral relations and multilateral forums such as APEC [Asia-Pacific Economic Cooperation] the ASEAN dialogue process, and the ASEAN Regional Forum.

Concurrently, as insurance against the possibility that China cannot be enveloped in the web of regional interdependence, Indonesia has encouraged the U.S. to remain engaged in the region and has developed a spiders-web of bilateral military co-operation arrangements with the ASEAN countries and Australasia.

While Indonesia has political differences with the U.S. and Australia has replaced it as the major supplier of foreign military training, the U.S. still provides major equipment, like F-16 fighters, and on-going maintenance and logistic support as well as a significant amount of training. Indonesian forces also conduct combined training with U.S. forces and U.S. Navy vessels call at Indonesian ports.

Moreover, the U.S. is a major investor in Indonesia, especially in oil and gas — including the Natuna gas fields in the South China Sea to come on stream early next century. The U.S. is also concerned to keep the sea lanes and straits through the archipelago in friendly hands. So the U.S. remains a major factor in Indonesia's defence and security.

Doubts about the U.S. commitment to the region and its declining relative military capability have, however, made all regional countries review their security arrangements.

Indonesia has strengthened its cooperation with the region, particularly its immediate neighbours Malaysia, Singapore and Australia.

At the same time, Indonesia jealously guards its non-aligned status, despite its de facto security linkages with the U.S., and does not publicly admit that the new agreement with Australia provides more than an overall framework for existing levels of defence and security cooperation, in its broadest terms, or promise to do more than nations with common interests would do anyway in the face of a common threat.

Despite this, the agreement has symbolic importance, giving notice that the region is capable of cooperating in the field of security and, from an Indonesian perspective, commits Australia more broadly to regional security and

through its alliances provides one more incentive for the U.S. to remain engaged in the region.

After all, what other country in the short to medium term can balance the nuclear and potential conventional capabilities of China were it to pursue an aggressive foreign policy in South-East Asia?

Against this background, a number of questions arise.

Does the agreement represent a fundamental change in Indonesian foreign and defence policy?

No, but the timing of the agreement raises a number of unanswered questions about perceptions of China's future and domestic considerations of the parties to the agreement.

Is the agreement more important than Australia's alliance with the U.S.?

No, but it is complementary.

Will it raise concerns in other Southeast Asian countries?

After a period of bewilderment they will generally see it as a positive step.

Will it concern China?

It may provide evidence of alleged U.S. efforts to contain China's perceived rightful regional ambitions and hinder the first track of the strategy (ie, cooperation) but it must be remembered that even the combined economies of Southeast Asia and Australasia are less than half that of China, so the agreement is not going to alter the regional balance of power.

Are Indonesian forces likely to be called on for the defence of Australia?

Not directly, as numerous defence papers have stated, any threat to Australia will most likely come from or through Indonesia, but by upholding its own defence and security Indonesia contributes to Australia's security. On the contrary, it may be in Australia's interest to participate in the defence and security of Indonesia.

Does the agreement reduce the likelihood of conflict between the two parties?

Such possibilities were unlikely anyway because Indonesia's primary external security focus has always been to the north but authoritarian regimes are by definition less predictable.

What does it mean for the East Timorese?

Unless both countries are prepared to trade on the maturing relationship to resolve this difficult international

issue then the East Timorese will continue to be sacrificed to amoral grand strategy.

Keating Sets Innovation Policy for Businesses

BK2812144595 Sydney THE AUSTRALIAN FINANCIAL REVIEW in English 7 Dec 95 pp 1,6

[Report by Tom Burton and Geoffrey Barker]

[FBIS Transcribed Text] Banks will be allowed to invest directly in small and medium-sized companies as part of a \$410 million [Australian dollars], four-year innovation policy program announced yesterday by the Prime Minister, Mr Keating, in a pitch for the small-business vote.

Declaring he wanted to make Australia "APEC [Asia-Pacific Economic Cooperation] ready", Mr Keating announced a package of 59 trade and investment initiatives concentrating on information technology, innovation and boosting finance to small business.

The total cost of the Innovate Australia package will be \$466 million, including \$410 million in new spending over four years.

But major cuts to the 150 per cent research and development tax concession and tariff concession schemes will save \$819 million, leaving net savings of \$353 million for the period.

The statement is the first formal set of Government election promises in the run-up to the expected March poll and is clearly targeted at the politically sensitive small-business sector.

The bonus for the Government is that the statement actually saved money. With Mr Keating raising extra revenue, the Government has made room for a range of other initiatives before the election.

The statement's focus on small and medium enterprises comes after the Coalition's identification of small business and families as the two major political constituencies they intend to address before the election.

Mr Keating said the statement underlined the Government's commitment to being competitive.

"This sort of statement would not have meant anything in Australia 10 years ago," he said.

The package aims to boost the burgeoning online industry, including a \$7 million scheme to digitalise the collections of the major cultural and heritage institutions. This follows last year's CREATIVE NATION statement, which was criticised for focusing on CD-ROM technology.

Five new co-operative research centres, a major upgrade of Austrade's TradeBlazer export software, a series of

management schemes and the establishment of a joint private and public sector-owned Australian Trading Enterprise in Osaka — to concentrate initially on processed foods — were the highlights of a grab-bag of changes to stimulate innovation.

The Government resisted pressure from its backbench to coerce superannuation funds to invest in small business, instead deciding to change prudential guidelines and capital gains tax rules to enable banks and bank-like institutions to directly invest in firms with paid-up capital of not more than \$50 million.

The cap was designed to ensure that the money did not go to the "big end of town", a criticism the Government made of a plan suggested by the Leader of the Opposition, Mr Howard recently. Mr Keating said that allowing the banks to invest would become an important source of "patient" or "growth" capital, with the National Australia Bank telling the Government it would consider investing between \$300 million and \$400 million as an initial tranche.

"Initially the investments are likely to be directed to firms with strong growth potential and turnovers between \$1 million and \$50 million," Mr Keating said.

Announcing the package, Mr Keating told the National Trade and Investment Outlook Conference that the Innovate Australia package marked a new phase in industry policy, following the opening up of the economy to domestic and international competition.

Mr Keating said the issue was how Australia could go further in product innovation, research and development and applying ideas.

"That competitive urge is what has made Australia more efficient," he said. "So we need to provide this fine-textured detail on how to grow and prosper in the world."

Mr Howard called the statement an "imitation statement", accusing the Government of stealing the idea of allowing banks to invest in equities, along with nine other policies from the Coalition.

"You cannot simultaneously allege your opponent has no ideas, no policies, no vision, no views about the future of Australia, then like a policy bandit help yourself to those ideas and claim them as your own," Mr Howard said.

Mr Keating also announced changes to the interest-withholding tax exemption in order to lower the costs of borrowing overseas — a move which the Minister for Industry, Senator Cook, claimed should lower business and home lending rates.

Diplomat's Views on Dili 'Massacre' Questioned

BK2812151195 Sydney *THE AUSTRALIAN*
FINANCIAL REVIEW in English 13 Dec 95 p 8

[AAP report]

[FBIS Transcribed Text] Indonesia's new Ambassador to Australia, Mr Wiryono Sastrohandoyo, has stepped straight into controversy by denying that the killings by Indonesian troops of at least 50 East Timorese in Dili four years ago was a massacre.

The comments have already led to calls for Mr Wiryono to apologise.

"It was not a massacre, it was an incident," Mr Wiryono told National Nine News yesterday.

"A massacre is when you shoot people without any reason. It is not the policy of the Government of Indonesia to shoot people."

East Timorese independence movement spokesman, Mr Jose Ramos Horta, called on the Ambassador to apologise.

"The Dili massacre was a massacre, 271 people were killed on that day alone," Mr Ramos Horta told Nine.

"He is going to have to retract, to state it was a massacre and he will have to apologise for it."

Last night, government officials were examining a transcript of Mr Wiryono's remarks but neither the Department of Foreign Affairs nor the spokeswoman for the minister Senator Evans, would comment on the record about the matter.

However, officials said Mr Wiryono's remarks amounted to what has always been the official Indonesian position.

Mr Wiryono, due shortly to take up the Canberra post left vacant since July, was interviewed in his office in Paris where he is Ambassador to France.

The Indonesian Government in July withdrew the name of Ambassador-designate to Canberra, Lieutenant-General Herman Mantiri, after a storm of protest in Australia over his description of the massacre as "quite proper".

Senator Evans has formally given his consent to General Mantiri's appointment.

Scores of civilians were shot dead by Indonesian troops in the East Timor capital in November 1991 after attending a funeral.

Mr Wiryono said he was looking forward to taking up the post, to work hard at strengthening the bilateral relationship.

But he was critical of recent protest actions in Australia which involved the burning of the Indonesian flag — an important symbol to Indonesians.

"I don't think the right to demonstrate includes the right to insult," he said.

And Mr Wiryono doubted an Australian Government inquiry into the deaths of six Australian journalists in Indonesia's 1975 invasion of East Timor would achieve anything.

"I suppose we will be re-explaining what we have explained in the past," he said.

Solomon Islands Aid Cut To Protest Policies

BK2812113595 Melbourne *Radio Australia*
in English 0500 GMT 28 Dec 95

[FBIS Transcribed Text] Australia has announced the withdrawal of more than \$1.5 million [Australian dollars] a year in aid to Solomon Islands as a protest against its forest environment policies. The development co-operation minister, Gordon Bilney, says the continuation of unsustainable logging in Solomon Islands leaves Australia no choice but to cut its aid to that sector. Mr. Bilney says he has written to the Solomon Islands' prime minister, Solomon Mamaloni, about the decision, which takes effect at the end of this week. Mr. Bilney says Australia is not prepared to hand out assistance unless it is matched by responsible government policies in recipient countries. He says if Solomon Islands does not reform its forestry sector there will soon be nothing left, with experts predicting timber resources will be exhausted within 15 years. The Australian aid minister says the Solomon Islands Government had refused a request for a joint review of Australia's forest aid. Australian aid worth about \$7 million a year to other sectors in Solomon Islands, including education and health, will not be affected.

Papua New Guinea

'Major Problems' of Bougainville, Economy Viewed

BK2812162795 Sydney *THE AUSTRALIAN*
FINANCIAL REVIEW in English 18 Dec 95 p 11

[Report by Rowan Callick]

[FBIS Transcribed Text] Hopes for rapid resolutions of Papua New Guinea's [PNG] two major problems — the Bougainville rebellion and the wilting economy — are on hold, despite the optimistic note of recent talks between PNG and Australian ministers, led by Prime Minister Sir Julius Chan and Foreign Minister Senator Evans respectively.

Discussions, held in strict secrecy, continue in Cairns today about the future of Bougainville where fighting began seven years ago.

Despite the broad nature of representation at the talks, they are not expected to conclude with another formal peace arrangement. A succession of such deals has already been brokered and broken.

And it is unclear whether the presence of representatives of the United Nations and Commonwealth Secretariat will reinforce the longstanding hopes of the rebels that such outside arbiters will set the scene for independence, or whether such representatives, by clearly ruling out such a role, will help persuade the rebels to seek accommodation with PNG.

The extent of the continuing civil war was underlined by the deaths last week of 12 Bougainvilleans — eight rebels and four "resistance" fighters — in a gun battle in the Siwai area.

Following the fight, 300 villagers fled to a government "care centre" at nearby Konga, while there were reports that a similar group was forcibly marched by rebels to the Buin area, to the north.

This reflected an episode three years ago, which resulted in the murder by rebels of MP Mr Tony Anugu, who was abducted from the Siwai area to the Panguna mine site — an incident from which Mr Nick Peniai, one of those attending today's Cairns talks, escaped dramatically.

Also last week, a young PNG soldier was shot dead as he bathed in a creek in the west of the island. A petition signed by 319 family members of soldiers stationed in Wewak urged the immediate withdrawal of "our husbands and fathers from Bougainville".

Sir Julius responded: "The price of defending one's sovereignty and unity can be very high. In the process of keeping Bougainville an integral part of our country, we are paying for that with blood."

Meanwhile, PNG September quarter figures showed a continuing economic decline, agriculture and forestry sectors performing below expectations, and inflation well above the Government's anticipated rate of 16 per cent.

Tight monetary policy, a hold on capital spending, and substantial aid inflows, had however relieved the foreign exchange crisis.

But questions are again being raised about the seriousness of PNG about the public sector reforms which are a condition of its receiving major World Bank, IMF and Australian funding. Late last week the Opposition claimed success, in talks with the Government, in its bid to raise to \$1 million the annual payment to each of the 109 MPs through the Rural Action Program, the latest form of the long-established "slush fund", and to abolish plans to enforce accountability through local committees.

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